

The Senate

Employment, Workplace Relations
and Education References Committee

Hacking Australia's Future

Threats to institutional autonomy,
academic freedom and student choice
in Australian higher education

November 2003

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Membership of Committee

Members for the 40th Parliament

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Terms of Reference

- 1 The principles of the Government's higher education package.
- 2 The effect of these proposals upon sustainability, quality, equity and diversity in teaching and research at universities, with particular reference to:
 - The financial impact on students, including merit selection, income support and international comparisons,
 - The financial impact on universities, including the impact of the Commonwealth Grants Scheme, the differential impact of fee deregulation, the expansion of full fee places and comparable international levels of government investment, and
 - The provision of fully funded university places, including provision for labour market needs, skill shortages and regional equity, and the impact of the 'learning entitlement'.
- 3 The implications of such proposals on the sustainability of research and research training in public research agencies.
- 4 The effect of this package on the relationship between the Commonwealth, the States and universities, including issues of institutional autonomy, governance, academic freedom and industrial relations.
- 5 Alternative policy and funding options for the higher education and public research sectors.

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Recommendations

Recommendation 1: page 22

Important features of the nation's higher education system are being fundamentally reshaped and redefined by the Higher Education Support Bill. Such a radical assault of the fundamentals of the system was not foreshadowed nor discussed during the review process. The sector and the broader community do not support discarding university autonomy and academic freedom.

These bills will initiate a regime which will shift costs to students. It will stifle student choice and impose a heavy burden on families. These bills will deepen inequities in society, and undermine economic and social prosperity.

The bill is so badly flawed, at both a philosophical and technical level that it should not be given a second reading.

Recommendation 2: page 59

While the committee does not believe these bills deserve a second reading, should the Senate consent to give the bill a second reading, then substantial amendment would be required to meet even the stated policy objectives of the Government. The committee stage of the bill should be deferred until 2004, to allow sufficient time for appropriate consideration of an extensively redrafted bill.

Recommendation 3: page 78

Existing appropriations under the Higher Education Funding Act (HEFA) are sufficient to allow for the full functioning of Australia's universities in 2004. It is therefore recommended that the Senate not be rushed into determining a position on these bills before the end of 2003, as this would inhibit the full and detailed consideration that they demand.

Recommendation 4: page 78

The committee recommends that the Government release the full and final set of guidelines before the Senate debates the bills, given that incomplete draft guidelines were provided on 3 November 2003, four days before the inquiry reporting date.

Recommendation 5: page 32

It is recommended that the Wage Cost Index (Education) be used in the formula to index university grants in order to provide the funding required to maintain and improve educational quality without increasing the fee burden on students and their families. The Australian Greens and the Australian Democrats support an increase in indexation, equivalent to that in public schools.

Recommendation 6: page 35

That the Commonwealth Grants Scheme be rejected while universities, such as the University of Western Sydney, the Victoria University of Technology and the University of South Australia, receive less under it (excluding any potential increases conditional on meeting unreasonable industrial relations and governance provisions and any transitional funding) than under existing operating grants.

Recommendation 7: page 42

That the maximum HECS fee not be increased by 30 per cent and that ministerial discretion to increase HECS fees be removed from clause 93-10.

The committee notes that: the Democrats and Australian Greens support this recommendation but have added an additional recommendation that HECS fees should be abolished.

Recommendation 8: page 42

That the HECS repayment income threshold be increased to \$35,000 in 2004-05.

Recommendation 9: page 43

In order to meet current levels of unmet demand for a university place from qualified applicants, it is recommended that an additional 20,000 full and part time commencing university places be created.

The committee notes that: the Australian Greens call for 50,000 new places.

Recommendation 10: page 46

The phase out of overenrolled places should not result in a reduced number of places for Australians nationally or regionally.

Recommendation 11: page 50

That full fee paying domestic undergraduate places be abolished and accordingly, FEE-HELP loans be limited to postgraduate students.

Recommendation 12: page 51

That the real rate of interest on FEE-HELP loans be abolished by removing the 3.5 per cent interest rate in excess of CPI from clause 143-10.

Recommendation 13: page 68

The committee recommends that Part 3-1 of the bill dealing with learning entitlements be withdrawn on the grounds of hardship to students and its likely adverse effects on completion rates.

Recommendation 14: page 78*Clause 30-25 Funding agreements*

That clause 30-25 be amended to remove ministerial discretion over the funding of specific courses, in order to prevent intrusion into the autonomy of self-accrediting institutions.

Recommendation 15: page 93

That the industrial relations conditions as contained in the draft guidelines issued on 3 November be rejected because they would only serve to damage the quality of the core teaching and research functions of universities, would undermine staff conditions and unfairly target the valuable contribution of unions.

Recommendation 16: page 18

That the Governance Protocols be rejected as a simplistic ‘one size fits all’ approach to the complex and differentiated task of governing diverse universities serving different communities.

Recommendation 17: page 93*Clause 33-15 increases in assistance for higher education providers meeting certain requirements*

The link in clause 33–15 requiring compliance with the centrally determined National Governance Protocols and the Howard Government’s industrial

relations policies in order to gain funding, be rejected by the Senate because it is unfair, unworkable, and unnecessary.

Recommendation 18: page 65

That the regional loading be extended to include the University of Newcastle and universities serving outer metropolitan regions such as the University of Western Sydney and the Victoria University of Technology.

Recommendation 19: page 53

That the anomaly whereby students under 25 are eligible for Rent Assistance while those over 25 are ineligible be removed by extending Rent Assistance to AUSTUDY recipients.

Recommendation 20: page 58

That the unreasonable burden on families of supporting children well into adulthood be recognised and that the age of independence for students on Youth Allowance be reduced to 23.

The committee notes that: the Australian Greens and Democrats support the age of independence being 18.

Recommendation 21: page 78

Clause 16-25 Approval by the Minister

That clause 16-25 be amended to provide that where private entities seek Commonwealth funding, that application is subject to an open process, conducted by DEST, and that the process be subject to parliamentary approval, and in accord with the National Protocols.

Recommendation 22: page 62

The committee recommends the establishment of an Indigenous Higher Education Advisory committee to develop a strategy for increasing indigenous participation in higher education.

Recommendation 23: page 79

Defining financial benchmarks of viability

That clause 19–5 be amended to define the basic requirements of financial viability and to set financial performance measures against which an institution has to report, and to set benchmarks for acceptable performance.

Recommendation 24: page 79*Financial information that must be provided*

That clause 19–10 be amended to reflect the consistency between Commonwealth and state reporting requirements and the extent of Commonwealth recognition of reporting requirements of states, or the CAC Act, and the timeframes within which these annual financial statement must be provided.

Recommendation 25: page 79*Defining criteria for assessment of quality*

That clause 19–15 be amended to define ‘an appropriate level of quality’, as required by the act; and the authority or agency who will set the criteria against which this is to be assessed.

Recommendation 26: page 79*Requirement to comply with national protocols*

That clause 19–20 (c) be amended to provide for universities to contest the veracity of AUQA audits and provide appropriate review processes.

Recommendation 27: page 79*Right to challenge audit reports*

That clause 19–25 be amended to provide that a university may challenge the reasonableness of the audit body’s proposals.

Recommendation 28: page 79

That clauses 19-50 and 19-55 in relation to the appointment of review officers be withdrawn on the grounds that they present a serious intrusion into university autonomy, make universities liable to high compliance costs and duplicate a number of existing review processes. Both clauses must be amended to include the same standards of judicial review, as exist in the ESOS Act, namely a warrant granted by a magistrate must be obtained before search and seize missions can be launched on university premises.

Recommendation 29: page 80

Disclosure of personal information

That in order to protect students' personal information sub-clause 19–60 (3) be amended to specify the categories of information that universities may provide.

Recommendation 30: page 80

That sub-clause 19–70 (1) be amended to restrict the level of information required, because the provisions are too broad.

Recommendation 31: page 80

That clause 19–75, requiring universities to notify the Minister in writing about 'any event affecting the provider or a related body corporate of the provider' that may affect the provider's capacity to comply with the conditions of grant or the quality and accountability requirements, be amended to define the occasions where breaches have occurred, not when they may occur in the future.

Recommendation 32: page 80

Requiring a search warrant for DEST inspections

That clause 19–80 relating to search powers be amended to provide for the requirement of a search warrant issued by a magistrate in the event that departmental officers need to open the books of a provider against the providers wishes.

Recommendation 33: page 72

That all clauses in Division 22 of the bill be redrawn in recognition of the operations of universities as public institutions.

Recommendation 34: page 80

Process for national allocation of places

Amend 30-10 to establish a transparent process for the allocation of places on a national basis.

Recommendation 35: page 80*Discretion over Funding Clusters*

That clause 30-15 giving the Minister direct power to fund or not to fund specific curriculum areas in a particular institution be amended to require that the Minister consult universities, and reach agreement with them on the number and mix of government supported places, and make public the reasons for the decisions.

Recommendation 36: page 81*Exempting students from HECS*

That clause 169-20 be re-written, so that the Minister does not have discretion to exempt specific students from making HECS or other loans contributions.

Recommendation 37: page 81

That in order to recognise the status of universities, the phrase ‘higher education providers’ be deleted and replaced with ‘universities’ or ‘universities and other providers’ where necessary.

Recommendation 38: page 35

That to ensure that the Victorian College of the Arts retains its current level of funding, without the requirement that the University of Melbourne cross-subsidise its operations, and while retaining its affiliation with the University of Melbourne, consider transferring VCA funding to DCITA, in order to recognise its parity in terms of quality of education and training with the AFTRS and NIDA in NSW.

Other bills**Recommendation 39: page 116**

That the Higher Education Support Amendment (Abolition of Compulsory Up front Union Fees) Bill be rejected in its entirety.

Recommendation 40: page 89

That the Higher Education Support (Transitional Provisions and Consequential Amendments) Bill be amended to ensure that the ANU and AMC Acts do not prevent Members of parliament taking a seat on their governing bodies.



AUSTRALIAN SENATE

**EMPLOYMENT, WORKPLACE RELATIONS
AND EDUCATION**

REFERENCES COMMITTEE

7 November 2003

Senator George Campbell
Chair
Employment, Workplace Relations
and Education Committee
Parliament House
CANBERRA ACT 2600

Dear Senator Campbell

The subcommittee formed to deal with the inquiry into the proposed budget changes to higher education has completed its report: *Hacking Australia's Future, Threats to institutional autonomy, academic freedom and student choice in Australian higher education*, and we commend it to the full committee.

Yours sincerely

Senator Kim Carr
Subcommittee Chair

Senator Trish Crossin

Report formally adopted by the
committee on 5 November 2003 for
tabling in the Senate.

Senator Natasha Stott Despoja

Senator John Tierney

Senator George Campbell
Chair

FOREWORD

Any comprehensive view of our universities should also take account of how the public universities help define what it is to be Australian.¹

...if we create market universities run purely on market principles they may be of their age, but they will not be able to transcend it.²

As society advances, the world for individuals becomes more complex. Knowledge, and the institutional generators and custodians of knowledge, become more crucial to peoples' ability as citizens to negotiate their world. Knowledge creation and knowledge transmission become essential for collective social and economic wellbeing and progress.

Thus, higher education must more closely intersect with public policy making. Australia is slow in recognising how important this is, compared with other OECD countries, which are leading the way by reinvesting even more public funds in their universities.

The policy direction embodied in *Backing Australia's Future* would tear public investment out of the university sector and shift an unprecedented level of costs direct to students. As it is by no means certain that students are able or willing to take up this new cost burden, the new funding arrangements could be unsustainable. At the same time, in a contrary move, the Government's powers to direct the minutiae of daily academic and administrative decision-making in universities would rise in a manner unparalleled in the history of Australian education and unseen in other democratic countries.

This extraordinary expansion of the Minister's powers in university governance and administration is a consequence of the policy decision to abolish the legislative distinction between established public universities, on the one hand, and small, sometimes fly-by-night private providers on the other. These peripheral providers will seek Commonwealth funding on the same basis as universities. In a 'market' where all providers compete for the custom of a sole purchaser – the Commonwealth – it is apparently unconscionable for public universities to enjoy the comparative advantages and the flexibility accorded by their current levels of institutional autonomy. With new private players in the wings, the Government feels compelled by the doctrine of competitive neutrality to institute draconian regulation of the sector which has hitherto been unnecessary for public universities.

¹ Mr Brendan Sargeant (Defence), *Hansard*, Canberra, 13 August 2001, p. 1270

² Frederico Mayer, UNECSO Director General, *Times Higher Education Supplement*, 3 October 1997, p. 12 as quoted in M Peters and P Roberts *University Futures and the Politics of Reform in New Zealand*, Dunmore Press, New Zealand, 1999, p. 57

Finally, the Government has used the occasion of this legislation to attack the industrial rights of university staff and the democratic rights of students to form associations that provide them with services and representation. These matters are entirely dissociated from the other policy aims of the package and indicate a bewildering preoccupation with ideological concerns which have no relevance to the practical needs of students. The committee joins the almost unanimous voices of members of the higher education community in expressing dismay and alarm at the direction taken by the Government in this legislative package. It calls on the Senate to reject it in its entirety.

Chapter One

Introduction

There are a number of obvious deficiencies in the package of reforms outlined in the Nelson review: (i) there is the ill-conceived commitment to Voluntary Student Unionism; (ii) there is an overly tight straitjacket for the distribution and re-distribution of government subsidised university places; (iii) there is an excessive degree of control inherent in the discipline mix, with the potential for gross intrusion upon university autonomy, academic freedom and student choice; (iv) there is a totally illogical link between increased funding and ideological components of industrial relations and unduly formulaic changes in governance; and (v) there are new taxes on international activities which only serve to provide funds for additional government regulators. However, the most significant defect is the lack of an effective mechanism for indexation of the government contribution. The proposals in this package are not sustainable in the medium to long term and there will continue to be an inbuilt degradation factor and an ongoing need for episodic injections of additional funding.

Professor Gavin Brown, Vice-Chancellor, University of Sydney¹

1.1 On 26 June 2003 the committee was asked by the Senate to inquire into the policy and principles underlying the Government's higher education package, as set out in the ministerial statements entitled *Our Universities: Backing Australia's Future*.

Characteristics of the inquiry

1.2 The committee was asked to report by the end of October 2003 but, in view of the tight timeframe of the inquiry, it was agreed to extend this tabling date to 7 November 2003. It is unusual for a references committee to deal with legislation, but when the inquiry began the expected legislation had not been introduced. The committee decided that it was appropriate to commence work on examination of the policy documents forming the Higher Education Review 2002 package, which was presumed to be the basis for the legislation that would eventually appear. It was fortunate that this process was followed because, as events transpired, it would not have been possible for the legislation committee to deal with the bills in the time that elapsed between their introduction to the House on 17 September 2003 and the end of the sitting year, by which time the Government hoped to have the legislation pass the Senate.

1.3 The committee received 486 submissions, in addition to supplementary submissions. This number was considerably greater than the 364 submissions the committee received for its higher education inquiry in 2001. This inquiry dealt with

1 Submission No. 105, University of Sydney, p. 3

issues that have considerable and immediate implications for current students and academic staff. They had deep reservations about the policy upon which the legislation would be based and, as the evidence revealed, many of the important stakeholders were taken aback by a number of policy details which appeared to be ‘tacked on’ to the anticipated core financial provisions. Two points should be noted about the submissions and inquiry process.

1.4 First, in contrast to the 2001 inquiry, the sources of submissions were much more clearly focused: limited essentially to those potentially and directly affected by the proposed legislation. In this inquiry there have been very few submissions from organisations outside of the education sector or from members of the public at large. On the other hand, student unions and representative councils have made a collective contribution to evidence that in many cases has been remarkably scholarly and well documented. In addition there has been a concerted effort by student associations to encourage individual submissions, most notably the scores of letters received from medical students at Sydney University and the University of New South Wales. The Council of Postgraduate Students Association (CAPA) and the National Union of Students (NUS) and their state branches have been active, along with, as might be expected, the National Tertiary Education Union (NTEU), both centrally, and through state affiliates. The states and territories have clear responsibilities for universities: most universities are established under state or territory legislation. All state governments have made submissions and all have been represented at public hearings.

1.5 Second, it may be noted that, of the 486 submissions received, very few indeed were steadfast in their support for the *Backing Australia’s Future* package in all aspects. It should be noted that a significant number of submissions were received after the legislation was finally introduced on 17 September. Two or three of these later submissions took the line that, while the promised reforms were worthwhile, the Government had jeopardised its chances of putting them through as a result of bad judgement on the detailed provisions contained in the bill. This was also the view of some vice-chancellors. Submissions to parliamentary inquiries can generally be relied upon to take a view contrary to the policy under examination. What makes this general rule remarkable in this instance is the number of submissions, most of them from universities, which praise the general policy direction but damn the detail and the implementation strategy. It was difficult for committee members to ignore the sense of disillusionment which was exhibited by university administrators who found themselves faced with legislative detail setting out all the ways in which their educative work would be made more onerous, their financial management tasks more precarious, and their institutions more fragile as a consequence of the passage of legislation which they did not anticipate would emerge from the amicable consultations which marked the preceding *Crossroads* process. As understanding of the actual legislation grew, the tone of response became increasingly concerned and alarmed.

1.6 Further to this, particular mention should be made of the university submissions. Most universities responded through their vice-chancellors, and their number exceeded the committee’s expectations. It was anticipated that the Australian Vice-Chancellors’ Committee (AVCC) would represent the views of all universities.

There appears to have been a strategy planned within the AVCC for the organization to present a united front of vice-chancellors to a Senate inquiry that was not regarded with much enthusiasm by the AVCC. This attempt quickly collapsed, in part for the reason that the funding projections issued by the Department of Education, Science and Training (DEST) established a pecking order of winners and losers which put an end to ideas of university solidarity. The committee found itself in receipt of submissions from universities whose hopes for additional funding arising from the 'reform' package had been dashed by the DEST projections. The second reason for the collapse of the AVCC's unity was the doggedness with which certain key players failed to gauge the mood of the organisation's membership and continued to pursue the strategy of unquestioning support for the Government's position.

1.7 While all universities may claim to have been disadvantaged in some way by the proposed new regime, the most obvious disadvantage was evident in the serious funding cuts affecting the University of Western Sydney, Victoria University and the University of South Australia. All of these are relatively new universities serving outer metropolitan areas and lower socioeconomic level communities. Clearly, the Government failed an early test of its professed concern for equity in overlooking the inevitable wave of criticism that would come, as it did, from the wider community in those regions affected by the proposed funding reductions. As the committee was told in Parramatta, the population of Western Sydney, already higher than Western Australia (with its four universities), is expected to grow by half a million in the next 15 years.²

1.8 The tenor of such criticism became infectious, such that submissions received from universities late in the day were more forthright in their adverse comment than those received earlier. Some of this had to do with a gradual realisation that an earlier support for *Crossroads* principles could not be reconciled with the policy detail which subsequently emerged in stark form in the actual legislation. This explains why nearly all submissions from universities commenced with a ringing endorsement of the Government's reform policy in general terms, while the bulk of each of the submission tore apart the details of implementation, notably the role of DEST in university micro-management, the extremely parsimonious equity and student income support provisions, and the matters considered extraneous or 'ideological', like industrial relations. An aggrieved chair of the Australian Vice-Chancellors' Committee described the Government's actions as 'changing the goalposts'.³

1.9 A concern to the committee is the timing and status of the guidelines which pertain to the legislation. The guidelines are delegated legislation and therefore subject to parliamentary disallowance. At the time of the DEST appearance before the committee on 17 October 2003, only one set of the ten guidelines planned for tabling had been made public, with several others promised in the time that would elapse before debate on the bill in the Senate. The committee was advised by DEST that

2 Submission No. 468, Western Sydney Regional Organisation of Councils, p. 3

3 Professor Deryck Schreuder, *Hansard*, Canberra, 17 October 2003, p. 66

some guidelines would not be made until they were needed, as far off as 2006. Yet the attitude of the Government to the making and purpose of its guidelines is remarkable. The committee learned, for instance, that disallowance of the workplace relations provisions by the Senate would result in the contingent financial grants being withheld. On the other hand, disallowance of some other guidelines would have little effect for reasons which were explained:

But there are other provisions within the bill so that, if the guidelines are not agreed by the parliament, there is adequate detail and the basis of the arrangements in the bill. A number of those cases have sufficient detail in this bill to understand the way the system will work, and they are not dependent on subsequent guidelines.⁴

1.10 The committee is interested in why the Minister and the department make regulations if they are not needed to implement policy. The committee assumes, on the contrary, that the various guidelines, as an integral part of the package, are essential to an informed consideration of the legislation by the Parliament. As the guidelines are to detail the 'quality and accountability requirements' on which funding is to be made conditional, and in doing so specify the intrusions of DEST into university operations, it is imperative that they be made available to the Senate in complete and final form before debate commences on the legislation.

1.11 Apart from receiving submissions and several petitions, the committee heard from some 147 witnesses from all states and territories. As usual, witnesses were selected on the basis of written submissions and in order to ensure a wide representation of opinion. Public hearings commenced on 22 September 2003 in Parramatta and concluded in Canberra on 17 October 2003. The committee visited all states, and where possible conducted public hearings at universities. A list of witnesses and hearing venues can be found at Appendix 2.

1.12 Characteristics of submissions noted previously have an echo in the tenor of evidence presented at public hearings. As the implications of the legislation began to be felt soon after its introduction to Parliament, the weight of opinion quickly began to harden against it. Vice-Chancellors who had previously supported *Backing Australia's Future*, and who were cautious rather than critical in their written submissions, were unexpectedly robust and emphatic about the weaknesses in the legislation by the time of their appearance before the committee. Yet, even at this point there was a glow of optimism shining through this evidence: that somehow reason would prevail, and that the Government would be persuaded to make badly needed changes. This optimism extended to almost extravagant hopes, as in the case of vice-chancellors wanting to believe that the Minister could be persuaded to restore the indexation of the Commonwealth Grants Scheme. The committee never learned the basis for such optimism.

1.13 The vice-chancellors presented the committee and the Senate with an interesting and extremely difficult challenge, to which there are several elements. First the committee was told that the bills should pass because there was too much of value in them to be discarded. The core financial provisions needed to be implemented. Second, the vice chancellors appeared to agree that some provisions in the bills were totally unacceptable, and should be discarded. Third, the legislation must pass in 2003 if universities were to plan their futures effectively. The issue of whether the Government might withdraw its legislation if frustrated over what the universities might regard as expendable clauses was not raised. Evidence from Professor Deryck Schreuder sums up this plea to the committee:

We are not for a package in whatever form; we are for the right package. We have been making recommendations as to how the amendments should be, we will make further recommendations, once we have worked through the legislation even more closely, and we rely on the Senate's very close scrutiny of this to establish the right package. I may be really naive; in the end, we would like to see a bipartisan, across-the-parliament resolution of commitment to Australia's universities and so put a line in the sand. This is the reform time, and hereafter we build the kind of world-class system that our students and our community deserve.⁵

1.14 It was pointed out on a number of occasions to vice-chancellors that there was a diminishing time-frame for the Senate's consideration of the legislation. There was uncertainty about the Minister's own time-frame for changes, and the committee heard of a more relaxed time-frame for delivery to the Minister of final advice from the AVCC. The committee is concerned that there is pressure on the Senate to pass legislation flawed in both conception and detail, simply to satisfy vice-chancellors who live in hope that something will come along in due course to fix up all the unworkable provisions. It agrees with the Government (which at last has accepted the committee's view) that the status quo is indefensible. It takes the view, however, that 'reform' should be worthy of the name, and for this reason recommends deferral of consideration of the legislation.

1.15 This legislation is universally agreed to represent the biggest change to higher education legislation since 1987. As such, it requires that the Minister needs to schedule more time to consider it. Above all, bills like this need parliamentary time. The committee draws the conclusion that the Minister and his advisors have failed to understand that policy and legislative implementation is a continuing rather than a compartmentalised process and one which does not conclude with the tabling of the bill in the House. Nor can false expectation be raised without cost to policy credibility. Essentially, as the ensuing discussion makes clear, the committee believes that the provisions of the Higher Education Support Bill 2003, and the policies underlying it, are seriously flawed both in terms of principle and in potential practical impact. Even those few who continue to support the policy direction taken by the 'reform' package consider that the policy miscalculations and procedural errors associated with the

package threaten to turn the *Backing Australia's Future* legislation into a failure of both policy and political process.

Overview of policy

1.16 The Government's higher education 'reform' package represents a profound threat to Australia's university system. It would fundamentally alter the relationship, with regard to university governance and regulation, between individual universities and the Commonwealth, and between the Commonwealth and the states and territories. Most seriously, the Government's policies, given form in the Higher Education Reform Bill 2003, allow Commonwealth intrusion at the most basic of levels – right into the personal and academic records held by universities on students, and as far as the tutorial room and the lecture theatre.

1.17 The extent to which this package and legislation allow the Minister and his or her agents to intrude into the day-to-day affairs, as well as the major decision-making, of public universities is unprecedented. It goes far beyond the powers accorded to the Minister and department under the current legislative regime set out in the Higher Education Funding Act 1988. The entry and search powers of the bill are much more draconian than those applying under the Commonwealth's ESOS (international education) regime: the latter requires that a magistrate's order be obtained before such powers can be exercised against an education provider, while the HESB provisions carry no such requirement. The grounds offered by the department's evidence for this departure from the judicial process are spurious. While it is true that the consequences of investigations under the ESOS Act might amount to criminal charges or to actions under the Migration Act, those arising from this higher education legislation could be equally serious: the withdrawal of all Commonwealth funding or, presumably, the laying of criminal charges for defrauding the Commonwealth and similar offences. These powers must be checked by means of a judicial process.

1.18 Furthermore, from all possible political perspectives, the policy package is a disastrous failure. For those who were seeking radical deregulation of the sector, the bill provides the opposite of what they asked for: it allows a massive increase in regulation of universities' activities and accords to the Minister unprecedented powers to intrude into the affairs and decisions of universities.

1.19 From the perspective of those supporting a strong public higher education sector, the package also fails because it shifts a much more significant share of the cost of university study onto individual students and their families. Already, Australian students pay a greater proportion of the cost of public higher education than in almost any other country: this package potentially leads the world in privatising the financing of 'public' higher education.

1.20 In revolt against the intrusive and draconian powers bestowed on the Minister and his department in this bill, many key conservative commentators and most university heads have either publicly disowned the package, or have appealed to the Government just as publicly to make fundamental and detailed changes to it. University of Melbourne Vice-Chancellor, Professor Alan Gilbert, previously an

outspoken supporter of the Government's deregulatory agenda, has now declared that the industrial relations provisions contained in the bill are so intrusive that the new regime was 'not worth the money'.⁶

1.21 The disappointment of individual vice-chancellors, each eyeing the legislation for its potential impact on their own institution, is palpable. Aside from the divisive, destructive and entirely unnecessary changes to the industrial relations regime, the new administrative and reporting requirements and costs it imposes are regarded as exceptionally onerous. The potential intrusions into academic decision-making and into the personal privacy of students and staff are regarded with alarm: they threaten a tectonic shift in the relationship that has existed between government and universities in Australia for 150 years.

1.22 While the custodians of our universities – individual vice-chancellors – have almost all come quickly to realise that the new golden age, promised by the Government, is not to be, in their collective manifestation as the Australian Vice-Chancellors' Committee the realisation has been slower and less complete. The AVCC has now expressed its disappointment in the bill, but it remains essentially beguiled by the Government into thinking that there is hope that the flawed package can be patched up by means of rational discussion, conducted behind closed doors. This view is delusory because it fails to appreciate that the fundamentals of the Government's approach are inimical to its soundness or its practical workability.

1.23 To underlie its reform package, the Government promised four principles: sustainability, quality, equity and diversity. It has failed on all counts.

1.24 The package is not sustainable, either financially or from a policy perspective. Financially, it contains a reliance on market forces in terms of pricing while at the same time imposing rigid and exacting regulation that will not allow the benefits of flexibility and independence to flow to institutions. Relations between universities and government are completely one-sided: the purchaser-provider split as constructed accords all power in the market to the 'purchaser' of services – the Commonwealth. Meanwhile, the shift to commercialisation of provision through increased fee-charging places and partial deregulation of HECS charges is destabilising for most institutions, creating financial uncertainty and threatening the financial viability of some. Coupled with the failure to provide better indexation arrangements to allow for increases in salary costs, this regime will inevitably drive tuition fees higher and will eventually put inordinate pressure on the ceiling on HECS charges. The fact that this ceiling is determined annually by the Minister potentially relieves the pressure on universities – but only by placing it on students by effectively removing the limitations on what the majority of them can be asked to pay.

1.25 Also unsustainable is the deregulation of the full fee-charging regime, accompanied by a cap on the amount that students can borrow from the

6 Martin C and Dodd T, 'Unis Revolt Over IR Demands', *Australian Financial Review*, 25 September 2003

Commonwealth to finance their studies. Inevitably, this will lead to upfront fees that will price many less advantaged students out of the market.

1.26 The package does virtually nothing to serve the objective of improved and guaranteed quality. It potentially opens up access to Commonwealth funds, through the Commonwealth Grants Scheme, to hundreds of private providers of varying types, sizes and missions. Realising the need to ensure quality of provision in an unfamiliar and uncertain universe, the Government has framed its entire legislative package from this perspective – failing to recognise that Australia’s public universities have a long tradition of robust processes and standards which render the intrusion into, and policing of, their activities unnecessary and unproductive. In fact, applying the petty and punitive regime of this legislation to established universities – with their internal safeguards already mostly in place – is counterproductive.

1.27 The role envisaged for the Australian Universities Quality Agency (and, apparently, other similar ‘quality auditing bodies’) is inappropriate and well outside the current brief of AUQA. As a quality assurance agency, AUQA is charged with examining and reporting on the *processes* of universities designed to ensure that quality as claimed is delivered: actual standards and levels of quality are defined by the institution itself. Performing quality *audits* is not the brief of AUQA as it stands, nor of any other body within the Commonwealth jurisdiction.

1.28 As for the goal of equity, this package undermines that principle in two major areas: institutional equity (equity of provision) and individual equity (equality of opportunity). The funding model contained in the package has vastly differential effects on institutions, with adverse consequences for several outer-metropolitan based universities in predominantly low socioeconomic areas. It appears that the regional campus loadings – essentially a bandaid measure which tacitly recognises the unsatisfactory nature of the CGS as an allocative mechanism – would be applied in an ad hoc manner, in apparent response to political considerations. Already advantaged universities will be able to cash in on their location and reputation to charge higher tuition fees in the deregulated market, leaving newer institutions lagging behind.

1.29 For individual students, the package clearly provides greater opportunities to those for whom financial considerations weigh less heavily: they can choose a fee-paying place, even where fees exceed the \$50,000 cap on FEE-HELP loans. A single class will contain students admitted on fundamentally different bases, with HECS-related students required to meet tougher entry criteria than their fee-paying classmates. Those in regional and outer-metropolitan areas will enjoy fewer options in higher education: the ‘equity’ measures announced as part of the package are completely inadequate in scope to accomplish more than window-dressing in this regard.

1.30 The model on which financing aspects of this policy package is founded is clearly an American one. The American approach to public policy in general, and in education in particular, is profoundly foreign to Australia and Australians. An environment where what we might regard as public services are differentially

available, directly proportional to personal wealth, is anathema to the egalitarianism which underlies an Australian approach to the provision of public services.

1.31 Finally, the Government avows a commitment to greater diversity of provision. This would entail a parallel commitment to endow all types of universities with genuinely adequate financial support, and with parity of esteem and treatment. By creating an environment where, in the throes of competition, resource-rich, established universities can systematically trample on the rest, the scene is set for the less advantaged institutions to wither into oblivion. At best, some may linger on as ‘teaching-only’ undergraduate degree factories where the preconditions for a vibrant academic culture – an active research base and a competitive resource environment - have vanished. The differential effects of the deregulated fee-charging regime and of the absence of indexation will hit the many and leave the few to capitalise on the advantages they can seize.

1.32 The higher education policy developed by the Government through *Backing Australia's Future* and its associated legislation rests on two doubtful assumptions. The first is that higher education benefits flow overwhelmingly to the direct recipients of learning: that the benefit is primarily an individual one, albeit with flow-on benefits to society. It follows that the recipient, as the principle beneficiary, must pay a high price for the learning from which he or she will gain. Thus the cost of higher education is to be gradually shifted in ever increasing proportions from the public purse to the individual student.

1.33 The second assumption is that universities will not only survive on a radically altered funding diet; they will thrive. This second assumption was the issue most commonly addressed in evidence to the committee. The vice-chancellors committee appeared to be divided between those of its members from long-established Group of Eight universities who appeared for the most part to believe that in fee-charging, as distinct from in Commonwealth grants, lay the hope of expansion of high-quality higher education. It is generally conceded that some of the Group of Eight universities, though not most, will benefit financially from the proposed changes. Other vice-chancellors from lesser known, smaller, newer and rural universities were under no illusions. Neither DEST nor universities possess a sound empirical base to form accurate estimates of the level of demand for full-fee courses. This policy thus represents a leap into the unknown. It is rare that important domestic policy is implemented on such a basis.

1.34 The flaws in this policy are not difficult to identify. First, the willingness of students and would-be students to borrow money to pay for their education is a matter of doubt. Those from middle class backgrounds accustomed to living with substantial levels of debt may have few problems. For the majority of students the debt burden, in the light of more accustomed debt for houses and family needs, will be a disincentive for university study. Nor is the likely pool of wealthy potential fee-paying students very large. While the committee majority objects to the enrolment of fully fee-paying students in principle, it recognises that in any event, the ‘pickings’ here are likely to be slimmer than the Government would have us believe.

1.35 Finally, the simple transfer of the funding burden from the public purse to the private pocket, even incrementally over time, is unlikely to occur as the Government intends. In its 2001 inquiry resulting in *Universities in Crisis*, the committee heard strong evidence that increased private investment in universities could not be used to substitute for lost Commonwealth grants. This private investment was in a sense ‘tied grants’ for specific purposes, which did not include general infrastructure maintenance.⁷ The committee also believes that the level of private investment is to some extent determined by the extent of continuing public investment. Declining public investment is most obvious in the run-down state of university infrastructure. This is most obvious in science and engineering research investment. It is also very real, if less obvious, in the decline in undergraduate and postgraduate core (or ‘enabling’) science and mathematics courses which are dependent on Commonwealth grants. Industry will not invest unless the ground is prepared. A cost transfer for the benefit of the taxpayer is not only poor social policy, it is poor economics.

1.36 It is not only the survival of universities that is under investigation in this inquiry, but their survival in a recognised form. Traditionally, universities are a collective or community of students and academics who form a compact for the purposes of teaching, learning and research. This radically altered funding diet and the administrative changes accompanying it will affect the quality of this relationship. It will also, paradoxically, alter the relationship between the government and the universities because, while the Higher Education Support Bill points the way toward an ever diminishing level of Commonwealth financial support, it provides for an unprecedented level of intrusive micro-management by DEST of university program arrangements and ministerial discretion over individual programs. These measures, alongside the measures to curb the representative nature of university governing councils and to dictate the terms and conditions of workplace arrangements in ostensibly independent statutory public entities, are policies at odds with the principle of academic freedom and the goal of diversity.

1.37 Universities should serve the public good. This policy package carries the potential significantly to reduce the number of participants in the experience of higher education, giving rise to frustrated expectations of individuals, the weakening of the national skills base, declining average incomes and a widening socio-economic gulf between those with access to wealth and those without. Thus, while the proposed legislation may be accurately described as ‘radical’ in that it presages social and economic change, it is not to be regarded as ‘reforming’ because the likely changes appear to point toward less equitable social and economic outcomes.

1.38 Higher education has traditionally been the path to higher incomes, better living standards and improved national economic performance. The close relationship between private and public benefit has been assumed. A high proportion of educated individuals in the population are perceived to ensure a high degree of economic and social stability and a respect for civil society. The role of the state in the provision of education at all levels has long been accepted as important in the maintenance of both

7 Senate EWRE Committee, *Universities in Crisis*, Canberra 2001, p. 77 *passim*

social stability and prosperity. There is no tension between private and social benefit in maintaining a public education system because it aims at developing talent, knowledge and responsibility to the benefit of all levels of society.

1.39 The committee's twin philosophical objections to the legislative outcome of *Backing Australia's Future* therefore go to the core of the policy. The first of these is the vision of the diminishing role of the state in funding higher education and the greatly increased burden placed on the 'individual purchasers' of educational services - students and their parents - who in many cases will need to weigh the costs and benefits of a university education. This will be a challenge not faced in more than two generations. It will thrust a cost burden on individuals and will result in a squeeze on personal borrowings not anticipated by economic planners and lending institutions. Its effects on regional and rural areas will be profound, as the multiplier effect on their economies is very considerable. The Government will come to realise in time that the worth of the social capital generated by universities, and their role in creating employment and in stimulating the creation of wealth, far exceeds the current value of the very modest expenditure of public funds⁸. It should be emphasised that this policy direction is exactly the opposite of international trends for comparable developed countries.⁹

1.40 The second philosophical objection goes to the unprecedented extent of the intrusion on the part of the Commonwealth into the functions and activities of universities that is sanctioned by this legislation. The committee finds it difficult, under this scenario, to envisage Australia's universities of the future as vibrant, intellectually open, politically independent centres of teaching, learning and research.

Issues of contention

1.41 Since the committee is fundamentally opposed to this legislation, it follows that there are few divisions in the bill to which it agrees. While the Government claims that its provisions may be benchmarked against the criteria of sustainability, quality, equity and diversity, it is clear to the committee that they cannot, and that this is a rhetorical catchphrase: part of the package merchandising whereby the expectation is that people will take at face value all that is claimed.

Indexation

1.42 Nearly all those submissions dealing in detail with university finances called for a return to full indexation of funding levels under the new Commonwealth Grants Scheme. All vice-chancellors emphasised its importance. For some it was an issue upon which the long-term survival of their universities depended.

8 David Johnson and Roger Wilkins, *The Net Benefit to Government of Higher Education: A 'Balance Sheet' Approach*, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, May 2002

9 OECD *Education at a Glance*, 2003, table B2.2, p 210

1.43 As will be detailed in a later chapter, the Australian Vice-Chancellors' Committee (AVCC) placed concerns about the lack of proper indexation at the top of the list of university grievances. The accumulated loss of income would gradually result in a deterioration of salary levels and infrastructure, threatening the sustainability of universities as they currently operate. The strongest statements about the lack of financial sustainability in a system where there is effectively no indexation came from Professor Gavin Brown, whose submission (and subsequent appearance before the committee) confirmed the committee's view of the basic funding flaw in the package.

1.44 Professor Ross Milbourne told the committee that he could not understand why universities were not treated in the same way as schools in regard to the levels of indexation they were allowed on their Commonwealth grants. He argued that, were that policy to be adopted, most of the contentious financing issues that might come out of this package would evaporate because the extent to which universities would have to vary average HECS levels would diminish and they could do more within that framework for equity and diversity.¹⁰

1.45 For a few, the unlikely event of any return of satisfactory indexation arrangements was a reason for favouring radical deregulation of the fee-charging regime. Professor Alan Gilbert, Vice-Chancellor of the University of Melbourne put it to the committee that it was unlikely that governments, whatever their party political background and whatever other exigencies they faced, would agree to maintain an absolute priority for keeping higher education well funded. Professor Gilbert, when invited by Government senators to criticise the Opposition higher education policy, declined to do so on indexation, stating that its commitment to full indexation was one of the strengths of the policy. Professor Gilbert nevertheless held to his belief in complete fee deregulation.¹¹

1.46 The committee notes the comments of Professor Bruce Chapman on the inadequacy of the package's indexation provisions and their likely effect of making HECS rises inevitable. The committee accepts this assessment, despite the brave intentions of some universities to delay this as long as possible. Indexation has been a silent but ever present issue in this inquiry in so far as the inadequacy of current arrangements is the reason for proposals for a new funding model.

1.47 Finally, the committee believes that the Government's refusal to maintain full indexation is part of an undeclared industrial relations strategy to reduce, over time, the proportion of staff on long-term contracts. Full indexation would allow long-contract positions to be routinely filled upon resignation and retirement of incumbents and for new positions to be created. The Government's preference is for more 'flexibility' despite the adverse effects of this on universities.

10 Professor Ross Milbourne, *Hansard*. Sydney, 22 September 2003, p. 2

11 Professor Alan Gilbert, *Hansard*, Melbourne, 2 October 2003, p. 7

1.48 The committee joins all universities in urging that indexation, based on the Wages Cost Index, be restored as the most effective financial assistance that can be offered to universities.

HECS increases

1.49 The committee found considerable opposition to HECS increases from students and from universities whose enrolment catchment areas have a high proportion of students coming from low socioeconomic groups. Such universities would be reluctant to raise HECS charges, and would do so only when they had no other funding option. Group of Eight universities were broadly in favour of being able to gain access to increased funding through higher HECS imposts.

1.50 The committee has heard from Professor Bruce Chapman that in the absence of any changes to the indexation system no institution would be able to survive 'down the track' without increasing the HECS charges. That is because for every year that they do not do so there is a potential two per cent shortfall coming from the lack of full supplementation.

The system with its current arrangements must inevitably mean that if there is no change to the indexation then this price instrument [increased HECS] will cause a radical change in the burden of financial resources. No institution will be able to survive down the track without increasing the HECS charges. ... All the institutions down the track will ... have higher HECS arrangements.¹²

1.51 Some universities have already announced that they will increase HECS by the full 30 per cent.

1.52 One of the dangers of partial deregulation of HECS is illustrated in the early announcement by the University of Sydney that it will raise its HECS fees by the full 30 per cent, while other universities have said that they will do so to a lesser percentage. The continuing evolution of a hierarchy of institutions will accelerate as a result of this provision. As one submission pointed out, this will create a new 'binary' division which could eventually lead to a more restricted choice of university education.¹³ It is for this and for equity reasons that the committee majority is opposed to partial HECS deregulation. A much more equitable way to deal with the needs of universities for the additional funds that would be raised by increasing HECS is to index Commonwealth grants adequately. This solution is proposed in Labor's 2003 higher education policy, *Aim Higher*.

1.53 The committee heard of a number of anomalies and problems that will arise from the partial deregulation of HECS. First, this policy would put pressures on universities that would force them to discount their HECS rates in order to retain their student load or to maintain the quality of their student load at acceptable levels. In the

12 Professor Bruce Chapman, *Hansard*, Canberra, 10 October 2003, p. 29

13 Submission No. 308, Deakin University Student Association, p. 5

case of regional institutions, the level of discount would have to be a very small amount below the standard HECS rates for the cut rates to eliminate completely their regional loading. This might eventually result in the development of a seriously inequitable system.¹⁴

1.54 Another issue arises in relation to the difference in entry-score cut-off for HECS-related students and for those paying full-fees - the decisions that will have to be made by universities at student entry level which might keep high-performing students out of the HECS streams.¹⁵ There are serious equity decisions at stake here.

1.55 There are also serious equity issues in relation to disadvantaged students, who are more likely to be averse to the prospect of debt. Higher fees will further discourage them from taking out loans. The committee notes commentary that varying fee regimes in different universities and in different courses may further restrict the choice of courses for disadvantaged students.¹⁶

1.56 The committee is persuaded by arguments put forward in a number of student submissions that increased HECS burdens are likely to be excessively onerous for a high proportion of graduates, especially those who will be working in occupations which are not highly remunerated.

Student loans and full-fee payments

1.57 The deregulation of university fees represents the most significant policy shift in higher education by a government in memory. But John Howard has not sought or received a mandate for these radical changes. Four years ago the Prime Minister was assuring the House of Representatives:

I can also inform the House that we have no intention of introducing a loans scheme. I make it very clear that any attempt by the Australian Labor Party to run a scare campaign on the basis of a loans scheme or real rates of interest will fail because there will be no real rates of interest.¹⁷

...That means, in particular, a clear rejection of vouchers for post-secondary education, a clear rejection of the deregulation of university fees...¹⁸

1.58 The following day, the Prime Minister confirmed this message:

We have taken a decision yesterday that was reported to this parliament, and I think widely welcomed throughout the Australian community, to maintain the existing higher education system. We have no intention of deregulating

14 Stokes, *Hansard*, Melbourne, 2 October 2003, p. 17

15 Professor Bruce Chapman, op. cit., p. 32

16 Phillips Curran, *Independent Study of the Higher Education Review: Stage 2 Report*, vol 2, p. 72

17 Hon John Howard MP, *Hansard (House of Representatives)*, 18 October 1999, p. 11718

18 *ibid.*, p. 11725

university fees. We have no intention of altering the current HECS arrangement.¹⁹

1.59 The Prime Minister had earlier denied, in an answer to a question from one of his backbenchers, that the Government would be introducing an ‘American style’ education system, and that there would be no \$100,000 university fees under his government.²⁰ Yet it was known at that time, as a leaked paper from the then Department of Employment, Education and Training, revealed, that the current Minister was working on a document which would pave the way for a policy change along the lines that we have come to see in *Backing Australia’s Future*.

1.60 The committee is also opposed to the enrolment of full-fee paying Australian undergraduate students. There are two reasons for this. First, this policy poses a serious threat to the principle of merit entry to universities. Second, there should be no additional cost burdens placed on academically eligible students. HECS places should be found for all students who meet university entry requirements, even if not at the university of their first choice.

1.61 Universities will be able to offer a full-fee paying quota of up to 50 per cent of student places in a particular course, and as market forces operate, this quota will enable some universities, for some courses, to set fees that may be very much higher than the HECS fee. Well-established universities may well be able to charge students at rates which far exceed the cost of delivering the course.²¹ As Professor Chapman remarks, this is a long way from the theoretical ideal of course charges reflecting costs and government subsidies reflecting externalities.²²

1.62 The committee received a very large number of submissions opposed to full-fee entry. Many objected on the grounds that it threatened the standard of university courses. The view was expressed that a fee for a place was not far removed from a fee for a degree. While universities assured the committee that matriculation entry points were likely to be only a few points lower than the HECS cut-off, it is not satisfied that this will be the view in years to come if the hierarchy of universities begins to operate on the American model. The committee has heard evidence in its 2001 inquiry into the state of higher education about the unethical practice of ‘soft marking’ in the case of foreign fee-paying students, and is not satisfied that quality assurance processes will always be effective in relation to fee-paying non-performers.

1.63 Another problem with full-fee arrangements is their discriminatory effect. Despite the income-related nature of the repayment regime, debt averse students are less likely to take advantage of this arrangement which appears to have been designed

19 *Hansard (House)*, 19 October 1999, p. 11817

20 *Hansard (House)*, 14 October 2003, p. 11616-17

21 Submission No. 403a, Professor Bruce Chapman, p. 22

22 *ibid.*

for students aiming either at jobs which pay very well soon after graduation or at students with access to considerable private funds. On this basis it is inequitable.

1.64 A related issue is FEE-HELP, access to which is available to students to pay full-fees. The interest rate on this loan, being close to market rates, has invoked considerable criticism. The committee notes research by Professor Bruce Chapman in which he concludes that the FEE-HELP rate of interest is inferior to the current HECS arrangement, and that it could be easily replaced by an additional impost in the form of a HECS supplement. This would both reduce the interest burden on students and be far easier to administer. The committee majority is opposed to FEE-HELP in principle, just as it is opposed to the arrangements in the legislative package – the extension of full-fee paying - that make FEE-HELP necessary for the package to operate.

Learning Entitlements

1.65 Under these arrangements students are entitled to five equivalent full-time years of university study. The committee believes the rigidities of the five year limit will involve considerable cost, inconvenience and deprivation for a large number of students.

1.66 As the Phillips Curran report pointed out, there are many paths taken by students through university. Some drop out early in a course and return later to finish it. Students may for good reason change courses in mid-stream. Some wish to study for a double degree or a second degree. All of these choices are affected by the limitation posed by the five-year Learning Entitlement.

1.67 Student comment was particularly adamant on this issue. A typical student response was that learning entitlements were a threat to life-long learning; there would be a discriminatory effect on low-SES level and mature aged students; the policy discriminated against those who had changed their study or career preferences through the course of their studies.²³

1.68 The committee's view is that all the objections to the learning entitlement are valid. Principally, the issue is one of inequity, but the policy also falls down on the issue of diversity because it ignores the need for life-long learning. University course offerings are likely to be restricted over time through limitations placed by the learning entitlement. The Government is trying to address this through ad hoc announcements of exceptions to this restriction, but a piecemeal approach has concomitant dangers. Finally, the committee sees the policy as a measure to trim Commonwealth expenditure on higher education by removing opportunities for individuals to improve their educational standing. It sees this policy as another show of indifference to the social utility of universities in serving to broaden the national skills base and the knowledge base generally.

23 Submission No.437, RMIT Student Union, p. 41

Governance issues

1.69 As detailed in a later chapter, one of the most disturbing aspects of the Higher Education Support Bill is the extent of the Government's intervention in the governance and administration of universities. While it was obvious from the policy papers that preceded the bill that much tighter control was sought by the Government, as a condition of Commonwealth grants, many commentators and stakeholders failed to foresee how far these intrusions were intended to go. The committee regards this basket of issues as central to any evaluation of the legislative package.

1.70 There are two main elements. First, the so called 'governance protocols' which set new guidelines for university governing bodies – councils and senates – whose appointments are subject to state and territory legislation.

1.71 The second element is the very detailed administrative arrangements for Commonwealth funding which are specifically legislated for in the Higher Education Support Bill and in a number of legislative instruments called Guidelines. Some, but not all of these Guidelines were released on 3 November. Under these, universities will come under much more stringent and direct supervision by the Department of Education, Science and Training (DEST) for all matters relating to course approval and course mix, the allocation of funded places and other matters.

1.72 In its discussion paper on governance and management issues the Government committed itself to reducing bureaucratic intervention in the management of universities, but the existence of the protocols in the new legislation has made nonsense of the Minister's earlier assurance that he would cut 'red tape'. He stated that the extent to which this was possible depended on the confidence of the Government, first in university governance arrangements, and second with regard to whether agreements could be reached on outcome measures to replace unnecessary emphasis on 'process and inputs'.²⁴ There is no apparent connection between the altered structure of senates and councils and the reduction in 'red tape'. Governing bodies would not be expected to concern themselves with such matters. As is later explained, the real purpose for the shake up of senates and councils is to impress on them their corporate and fiduciary responsibilities. Minister Nelson sees them as dynamic boards of directors with 'top end of town' credentials. For many reasons, both the committee majority and the overwhelming majority of submissions addressing this issue are in complete disagreement with the Minister's perspective. Universities are not corporations, and 'top end of town' appointees to university senates would be the first to recognise this fact.

1.73 As to the second element, the bill sets out in explicit detail the increased and onerous obligations on universities and, contrary to the Ministers assurance in the relevant issues paper, makes no mention of how the arrangements legislated for may be altered by negotiation. Vice-chancellors have been outraged by the intrusions

24 *Meeting the Challenges: The Governance and Management of Universities, Issues Paper*, DEST, August 2002.

which their universities will face into areas of student administration over which they are no longer to have discretion.

1.74 It is the Minister's discretion that has been markedly increased, including the discretion to allocate a specified number of Commonwealth supported places to each university, and their allocation and distribution between funding clusters. Clauses in the bill set out numerous conditions attached to Commonwealth grants. Nothing is left to chance, that is, to the universities. As one vice-chancellor has stated:

I could imagine that all of those provisions would be defensible if the guidelines that supported them were minimalist and highly circumscribed the circumstances with which a minister would exercise those discretions. What concerns me is that the meaning of the legislation and its operation are going to depend on a very detailed structure of guidelines that accompany it and on current evidence we have reason to fear that all of those powers that you have referred to are going to be subject to wide discretion and represent, I think, an interventionist regime of the kind we have not seen before in Australian higher education.²⁵

1.75 The governance protocols fail on the grounds that they attack the diversity of the university sector. The Government appears to assume that they will operate in the same way, and cater to the same kinds of students, in all instances. It may deny this, but the governance provisions - setting a size limit of 16 members and ousting student and academic staff representation - appear to confirm what the Government would deny. The Governments protocols are aimed to standardise the operations of universities in a way that no self-respecting university should tolerate. The committee totally rejects all the clauses in the bill relating to governance.

Recommendation

That the Governance Protocols be rejected as a simplistic 'one size fits all' approach to the complex and differentiated task of governing diverse universities serving different communities.

Industrial relations provisions

1.76 The Government's intention to link \$404 million in funding in 2004-06 to the acceptance of its industrial relations clauses, providing for the offer of Australian Workplace Agreements, has been a highly emotive issue within universities, causing some bewilderment in the wider community as well. The difficulty which the Government has in relation to the industrial relations clauses is that of convincing anyone that they are relevant to higher education 'reform'.

1.77 It is clear to the committee that the Government's determination to make AWAs available in universities has much to do with its disapproval of the role of the National Tertiary Education Union's influence in the enterprise bargaining

25 Professor Alan Gilbert, op. cit., p. 4

negotiations. It claims that the NTEU acts as the ‘gatekeeper’ in negotiations²⁶ and that the union runs a pattern bargaining campaign over salaries and conditions, which is a claim answered in Chapter 4 of this report. The committee believes that the maintenance of a floor under salaries and conditions is at least one way of ensuring that there is some base standard of quality of education offered across the diverse sector.

1.78 The Government’s insistence that Australian Workplace Agreements be offered to university staff in any round of enterprise bargaining has the potential to cause disruption, or at least disharmony, throughout the sector. Indeed, it has already done so, with enterprise agreements on hold following a joint ministerial statement on 22 September 2003 confirming the Government’s intention to impose financial penalties on universities which do not comply with the provisions of clause 33-15 of the bill. It is little wonder that vice-chancellors have been highly critical of these provisions in the bill. The inclusion of this provision, together with the governance provisions have made it far harder for the Government to win the support of those from whom they would normally receive support. One of these supporters, Professor Alan Gilbert, has described the IR provisions as ‘bureaucracy run riot’.

1.79 What makes these provisions inexplicable is the current atmosphere of industrial harmony in universities. National Tertiary Education Union members who appeared before the committee described how this had been achieved, and why it had been sustained. Productivity gains had been real, and the myth of the indolent academic had long been dispelled. Performance was being rewarded. The committee gained a sense that university administrations had learned much over immediate past years about maintaining industrial harmony. It was evident that vice-chancellors, in the main, had earned the goodwill of university staff, although issues of disagreement inevitably remain.

1.80 As the committee argues in Chapter 4, the industrial relations issue must be understood in the context of a wider Government agenda: that of ensuring that universities are placed on the same footing as any other workplace for the purposes of negotiating salaries and conditions. Any claims that universities may have for being ‘special’ or having a ‘unique culture of collegiate relationships’ is apparently not a valid consideration.

1.81 The committee is opposed to the workplace relations provisions on principle. It notes the evidence from several vice-chancellors that common law contracts are used in particular circumstances, especially for senior personnel and these are much more flexible and less cumbersome than AWAs. It notes also the views of the NTEU which has warned of the potential for administrators to force AWAs on university employees, particularly those who are young and female and engaged in general clerical duties. The committee accepts that some employees will be more vulnerable than others: a common workplace experience. For these reasons alone it opposes these provisions in the bill.

26 *Meeting the Challenges*, op. cit.

State and regional issues

1.82 The committee notes from the outset that, if particular parts of the university sector are struggling now to stretch their budgets to cover the needs of all their students and to serve the varying needs of their regions, the changes proposed in the Higher Education Support Bill will in almost every instance make the task more difficult.

1.83 The reason for this, as the core arguments in this report makes clear, is that it is a discriminatory package, aimed, however haphazardly, at establishing a more clearly delineated hierarchy of universities. It is aimed at allowing those institutions best equipped through accumulated assets and tradition to become beacons of entrepreneurial learning success so that they will be even less dependent on Commonwealth funding. Their role is to set the pace for the rest.

1.84 Nearly all of the beacon universities are close to the centres of metropolitan cities. The metropolitan regional universities and the rural universities may constitute a majority of enrolments, but the government's policy was not written primarily for them. The committee has taken notice of some of the serious problems they face. They are a diverse group. The outer metropolitan universities need to deal with large population growth and a demand for enrolments not matched by the allocation of funded places. Rural universities, the largest employers in their regions, have in common with outer metropolitan universities a lower socioeconomic base from which to draw students, except that in the case of rural universities the income levels are even lower. Rural universities also pay a premium for their relative isolation. Travel and freight costs are an impost on students and an addition expense to the university. Slow and inconvenient rail links, where they exist at all, are a deterrent to enrolments of prospective students from the metropolitan areas.

1.85 The Government's response to the higher costs of university education in rural areas is the regional loading, which excludes many students from the University of New England and the University of Southern Queensland who are enrolled as distance learning students. The committee notes the misleading title of this allowance in so far as it is a rural rather than a regional loading. The committee also notes the arbitrary classification of 'regional' loading. The University of Wollongong lobbied hard to be included, and it succeeded. On the other hand the University of Newcastle (twice the distance from Sydney than is Wollongong) was considered too close to Sydney to qualify for the loading. This demonstrates the wonder that is ministerial discretion.

1.86 The committee also heard evidence from the University of Tasmania and the three universities in South Australia that also highlighted the concerns of institutions in states with static population levels and difficulties in maintaining a satisfactory rate of economic growth. Both Tasmania and South Australia lose a higher than average number of their matriculating school leavers to universities in Victoria where course offerings are much broader and where more funded places seem to be available.

1.87 The evidence appears to be very strong that students from rural and remote areas remain particularly disadvantaged. If they are able, and are offered HECS places at universities in the city, they are often liable to considerably high living expense. The cost of living in a residential college, institutions that offer the security that young undergraduates from the country need, is very high. Professor Bruce Chapman has suggested that a HECS loan top up to pay for miscellaneous up-front expenses would be a very practical initiative which could be achieved at very minimal cost. The committee agrees.²⁷

Student participation in student organisations

1.88 That other obsession of the Government, the abolition of automatic student organization fees, is again introduced, this time in the Higher Education Support Amendment (Abolition of Compulsory Up-front Student Union Fees) Bill 2003. The bill requires that universities do not collect student organisation fees as a condition of enrolment.

1.89 Several members of this sub-committee recall dealing with the first attempt by the Government to abolish automatic membership of student organisations in 1999. The arguments have not changed since then. This, like the AWA issue briefly discussed above, is a matter of ideological concern to some members of the Government who place a higher value on the claims of an individualist libertarianism than on a community amenity funded by an obligatory levy. That this is a wildly impractical stance to take is easily demonstrated to the overwhelming number of university stakeholders.

1.90 The committee opposes this provision because any examination of the issue on its practical merits falls down. There is no other way for a satisfactory level of service to be provided for students except through student organisations which, as they run at cost, depend on the fees paid by all students to operate the range of services that they provide. Given the peculiar circumstances of running services on campus it is highly unlikely that any contracted private provider or business could offer the range or quality of service that students currently enjoy. Student organisations are a ‘natural monopoly’, the removal of which would result in a marked deterioration in student services and a considerable loss to university life and culture.

1.91 Evidence to the committee indicated the severe consequences to campus and community life, based on the Western Australian experience. The financial costs to universities in maintaining, in the absence of student organisations, even minimal student amenities would be considerable.

27 Submission No.403a, Professor Bruce Chapman, p.27

Conclusion

1.92 The committee identifies a consistent policy theme threaded through this proposed legislation. It is radical without being reformist; it is both deregulatory in policy intent and highly regulatory in its processes. It is based on false assumptions about the role and purposes of higher education and it exhibits profound ignorance of the way universities operate and perceive their responsibilities. This is evident from the way in which the Government managed to unite all university opinion against it – an achievement almost without precedent. Government may have won some plaudits for the conduct of the *Crossroads* inquiry. It has forfeited this praise because it is now obvious that either it did not listen to the stakeholders, or what is worse, it put them through a charade; a pretence at consultation.

1.93 Finally, the committee believes that none of the divisions of the bill meets the criteria of sustainability, quality, equity and diversity. First it is a package that lacks the sustainability that indexation of grants would provide. Second, there is no guarantee, in the absence of increased direct funding, that infrastructure costs and staffing costs can be met so as to ensure high quality teaching and research. Third, the legislation is inequitable now, and will become increasingly so over time as enrolment numbers are threatened by increased fees; and fourth, the legislation aims at a rather ruthless conformity rather than diversity, as university autonomy is diminished.

Recommendation

Important features of the nation's higher education system are being fundamentally reshaped and redefined by the Higher Education Support Bill. Such a radical assault of the fundamentals of the system was not foreshadowed nor discussed during the review process. The sector and the broader community do not support discarding university autonomy and academic freedom.

These bills will initiate a regime which will shift costs to students. It will stifle student choice and impose a heavy burden on families. These bills will deepen inequities in society, and undermine economic and social prosperity.

The bill is so badly flawed, at both a philosophical and technical level that it should not be given a second reading.

Chapter Two

Shifting the costs of higher education

Within the Commonwealth Grant Scheme, we are concerned about the shift in the burden of funding from the Commonwealth to students... We are not convinced a shift of this magnitude is justified, and while it is impossible to specify a 'correct' public:private funding mix, international benchmarks suggest that students in the Australian system are not under-contributing. We would be concerned, therefore, if the burden on students were to increase markedly from the current level in terms of percentage GDP expenditure.

Professor Deryck Schreuder, Vice-Chancellor and President,
University of Western Australia¹

2.1 This chapter is about the central elements of the *Backing Australia's Future* policy and its implementing legislation. It also focuses on the Government's claim that this is a 'reformist' package, with a radical approach to addressing the pressing financial need of universities. The Committee sees two related flaws in the structure of the funding arrangements provided in the Higher Education Support Bill. The first is the lack of any continuing mechanism for adequate indexation of Commonwealth grants which will allow for sector growth and fair access to higher education. The second is the excessive level of cost shifting to students and their parents which will be a disincentive for enrolments, stall growth in the sector and adversely affect both the labour market and national economic performance. Together, these flaws make the Government's policy unsustainable.

2.2 The Government has taken a look at the demand on the national accounts for increased funding for higher education and decided not to invest in public education. This assessment is based on the erroneous assumption that there is widespread resistance to increased public expenditure on education and other government responsibilities. The Government argues, therefore, that an increasing proportion of the costs of higher education must be met by students and their families who can, or will be able, to meet these costs through loans. The policy, and the legislation which implements it, is a cost-shifting exercise.

2.3 The Higher Education Contribution Scheme has been in operation since 1989 but has never had the support of the Australian Democrats who regard education as an investment for the future with benefits to the broader community and the individual. It is worth mentioning that the direct beneficiaries of this investment repay the costs of obtaining an education through higher taxes when employed. It is worth noting that

1 Submission No. 368, University of Western Australia, p. 2

the Australian Democrats were the only party to oppose the introduction of the HEAC in 1986 and the HECS in 1988, and have campaigned and voted against all subsequent attempts to increase and distort this scheme.

2.4 What is radical about this current development is the very considerable level of student debt which is the result of cost shifting. There is a strong possibility that the strategy will fail because of over-optimistic assumptions about the extent to which would-be students will take on debt to the degree required to fund the sector to the level it needs.

2.5 This chapter is made up of several sections, each dealing with a distinct finance aspect of the package.

The decline of indexation

2.6 The issue that all universities agreed on in their submissions to this inquiry was the urgent need for the return of full indexation of Commonwealth grants. The committee also noted that such enthusiasm, as there was for access to HECS increases and the imposition of direct student fees, was a direct response to the increasing shortfall in Commonwealth grants. If indexation was to bring in a smaller amount of revenue, then there was some salvation in HECS top-ups and fees.

2.7 Full indexation remains the elusive hope of universities under the current government. The committee notes that the ministerial issues paper, *Financing Australian Higher Education*, published as part of the *Crossroads* review, posed the question 'Should public funding to institutions be indexed? If so, what measure of indexation should be used?'² The issues were only briefly canvassed in the paper, but the Government's position was hinted at in comment on a suggestion for the return of adequate indexation. The comment was:

Several other submissions also point to the need for revised indexation arrangements, including full wage indexation. However, this may remove any incentive within the sector to seek genuine enterprise based agreements and identify individual organisational priorities and productivity trade-offs. Nevertheless this issue raises legitimate questions. Is there a need to make any discount to full wage indexation explicit and a known parameter? In terms of ensuring that future financing arrangements are sustainable and stable, should the relativities between components be known and maintained?³

2.8 The Government's answers to these questions have been, first, to affirm the reservation that indexation is incompatible with enterprise agreements because it provides insufficient incentives for wages productivity. The second supplementary question is academic if the first reservation is confirmed. The Government would

2 DEST, *Financing Higher Education*, 2002, p. 36

3 *ibid.*

always argue that future financing arrangements are stable so long as the rate of indexation reduction is signaled in legislation, as it is until 2007 in the legislation before the Senate. Beyond that, as the committee was told, no one could make projections.⁴

2.9 Submissions received from the Australian Vice-Chancellors' Committee (AVCC), the National Tertiary Education Union (NTEU), the National Union of Students (NUS) and others indicate strong support for the principle of indexation and are therefore resoundingly critical of the current indexation arrangement.

2.10 Following on from the previous comment on the Government policy on indexation, the committee believes that the Government's refusal to maintain full indexation is part of an undeclared industrial relations strategy to reduce, over time, the proportion of staff on long-term contracts. Full indexation would allow long-contract positions to be routinely filled upon resignation and retirement of incumbents and for new positions to be created. The Government's view was that this would fail to impose on universities the same kinds of staffing discipline that the Commonwealth Public Service was subjected to in the first two terms of the Coalition Government. As noted elsewhere in this report, the Government favours 'flexibility' in matters relating to employment and conditions of employment, which is code for temporary contracts and privatisation, with only a core of continuing employees, mainly in managerial positions. As the chapter on industrial relations explains, there are serious consequences for universities as an indirect result of the Government's refusal to provide adequate indexation.

Background to the indexation issue

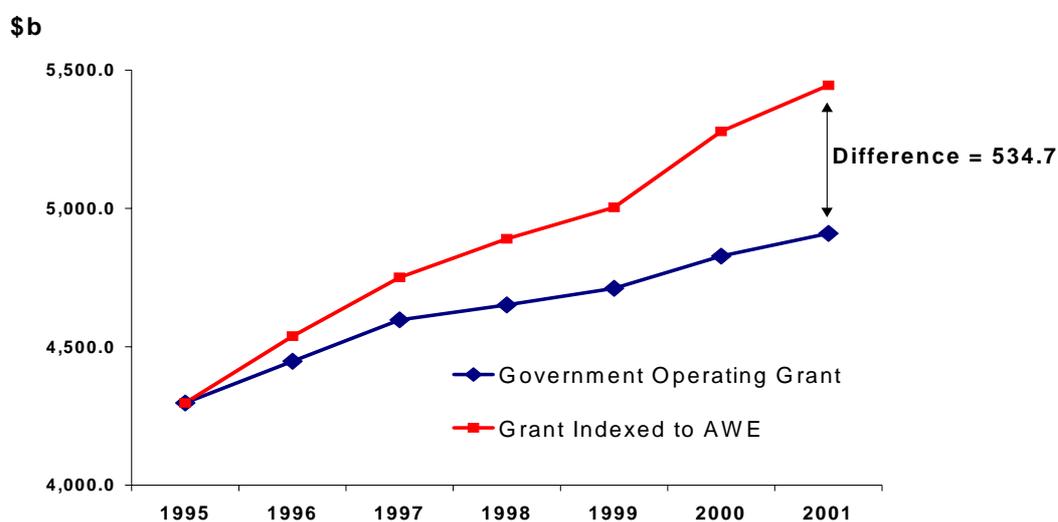
2.11 The current system of indexation of university operating grants was introduced in 1995 by the Keating Government. Prior to this the base operating grants were adjusted to take into account actual salary and non-salary movements. The introduction of enterprise bargaining arrangements in January 1996 led to a change in the system of indexation. The Indexation Rate (Cost Adjustment Factor) is determined by a notional salary component of operating grants (75 per cent) which is indexed annually on the basis of the Safety Net Adjustment (the minimum allowable adjustment to wages for low paid workers who do not achieve a higher rate of increase) as determined by the Australian Industrial Relations Commission as a proportion of Average Weekly Earnings, and by a notional non-salary component (25 per cent) which is indexed annually on the basis of the Treasury Measure of Underlying Inflation. This measure is derived from the CPI but removes elements affected by seasonal and policy factors. Actual CPI has been used since 2001. The notional salary component of the indexation for universities between 1995 and 2001 increased at less than half of the rate of economy-wide measures such as the Average Weekly Earnings (AWE).

4 Mr Bill Burmester, *Hansard*, Canberra, 17 October 2003, pp. 117119

2.12 Professor Bruce Chapman, of the Australian National University, noted that around 75 per cent of university costs are directly related to salaries. He explained that the Government has not adjusted outlays to allow universities to index salaries in line with community changes in real wages. He asked the question: what would university revenue provided by government have been since 1995 if changes in average weekly earnings had been used as the adjustment factor instead of changes in the safety net?

2.13 This question is answered in the graph below. The analysis by Burke and Phillips suggests that universities have had to adopt blunt measures to maintain relative salaries, and these measures have probably resulted in a deteriorating quality of education in universities.⁵

University Base Grants: Actual Funding Compared to an AWE Index⁶

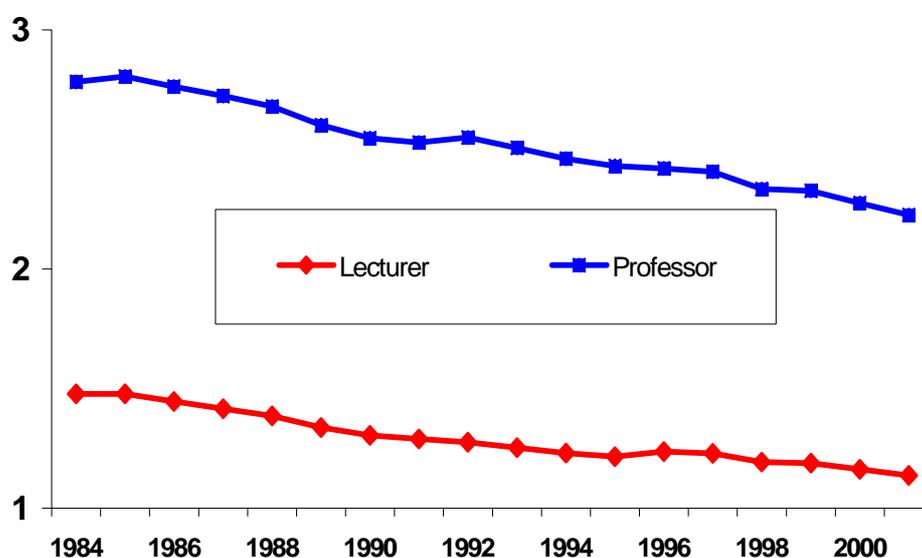


2.14 Yet, as Chapman has also pointed out, the blunt measures have not worked well. There has been a twenty year relative decline in academic salaries, as shown in the graph below.

5 Submission No. 403a, Professor Bruce Chapman, *Higher Education Financing Issues*, Economics Program, RISS, Australian National University, August 2003, p. 14

6 Source of graph: Burke and Phillips, *Funding Issues for Higher Education*, Monash University, October 2001

Academic Salaries as a Proportion of Average Weekly Earnings⁷



The call for adequate indexation

2.15 In arguing for an ‘effective indexation mechanism’, the Australian Vice-Chancellors’ Committee has argued what every vice-chancellor knows to be the case:

Each year the Government indexes universities’ operating grants, including HECS, to reflect cost increases in providing university teaching and research. If the rate of indexation falls behind the real rate of cost increases, then there is an effective cut in resources. Over a long period, the cut can build to substantial proportions. Due to the inadequacy of the index, each year the effective value of university funding drops.⁸

2.16 The AVCC places concerns about indexation at the top of its list of key concerns about the policy package. It argues that the failure to introduce an adequate system of indexation will undermine the value of the government’s investment to date in higher education. It fears that if there is no improvement to indexation, the purchasing power of universities’ core grants will not be maintained into the future and the sustainability of universities’ will be put at risk in the latter part of the Government’s ten year package.⁹

7 Salaries figures from Academic Salaries Tribunal data to 1996 ANU academic salaries data and ABS AWE series, 6202.0

8 Submission No. 417, AVCC Supplement: *Excellence and Equity, et al*, p. 29

9 *ibid.*, p. 5

2.17 The NTEU regards the failure to improve indexation arrangements as a structural flaw in the package that will compel universities to increase student fees and charges.¹⁰ This view is shared by Professor Bruce Chapman, who says:

Leaving the indexation rule unchanged will necessarily mean that students will contribute an increasing proportion to the financing of higher education, perhaps considerably so.¹¹

2.18 Professor Chapman further argues:

In the context of enterprise bargaining [the indexation arrangements] are very unlikely to mean there will be the maintenance of public sector financial support to facilitate the nature of wage and salary adjustments that will happen in an enterprise bargaining system. I think you only need to understand the indexation changes from 1995 to 2003 to have a good sense of why universities feel like they have been in trouble. They have been in trouble essentially because the wage bargains have exceeded the cost adjustments by roughly 1½ or two per cent a year. If you do that over nine years then you get a shortfall—which we have currently—of the order of \$600 million to \$700 million compared with what there would be if the adjustment process was in accordance with percentage changes in average weekly earnings, which it has not been.¹²

Comparison with Commonwealth schools grants

2.19 A number of submissions point out the anomalous differential between the indexation base for school grants and those applying to universities. School grants are indexed on the basis of the Average Government School Running Costs (AGSRC) index. This is derived from total expenditure on government schools, less capital expenditure on buildings and grounds, redundancy payments and Commonwealth Specific Purpose Payments. The AGSRC index therefore reflects actual cost movements for the sector, unlike the higher education Cost Adjustment Factor.¹³ In the language of the Department of Finance, the indexation of schools grants is based on ‘program specific parameters’, while higher education indexation is based on ‘economic parameters’.¹⁴

2.20 The AVCC has pointed out the inequity of the difference between the indexation provided to the school sector and that applying to universities, as did several vice-chancellors in individual submissions. That gap was considerable. The

10 Submission No. 466, National Tertiary Education Union (NTEU), pp. 1516

11 Submission 403, (covering letter, 17 August 2003), Professor Bruce Chapman, p. 1

12 Professor Bruce Chapman, *Hansard*, Canberra, 10 October 2003, p. 26

13 Kim Jackson, Bills Digest No. 4, 2003-04, *Higher Education Legislation Amendment Bill 2003*, Parliamentary Library, p. 2.

14 <http://www.finance.gov.au/budgetgroup/other%5Fguidance%5Fnotes/indexation.html>

schools index has been increasing by 5 per cent or more in most years compared to 2 per cent to 2.5 per cent for the university index. The AVCC claims that the difference between the two is worth about \$130 million on universities' 2003 funding, a difference that compounds each year an inadequate index is used.¹⁵

2.21 Placing universities on the same indexation basis as Commonwealth schools has considerable support, including support from the Vice-Chancellor of the University of Technology, Sydney, Professor Ross Milbourne who told the committee:

I cannot for the life of me understand why we cannot have the same indexation that is given to the funding of public schools. If that happened, most of the issues that might come out of this package would evaporate because the extent to which universities would have to vary average HECS levels would be less and they could do so much more within that framework for equity and diversity issues. I do not understand why we cannot have the same indexation as schools because, over time, the government investment in higher education as a percentage of GDP will dwindle dramatically if that does not happen.¹⁶

2.22 In the UTS submission, Professor Milbourne further argued that:

Indexing University operating grants to average weekly earnings can easily be afforded within the Federal Budget. In any given year, government revenues rise by more than average weekly earnings because tax collections raise the rate of earnings and in addition some tax payers are pushed into higher tax brackets. Tax 'cuts' usually brings the growth rates of average earnings back into line with government revenues. If operating grants are not indexed at this rate, the share of expenditure on higher education relative to government revenue and GDP will fall over time. It is already below the OECD average.¹⁷

2.23 The inadequacy of the current indexation arrangement is evidenced through the fact that, whenever the rate of indexation falls behind the real rate of cost increases, there is an effective cut in resources. As the AVCC put it: 'Over a long period, the cut can build to substantial proportions. Due to the inadequacy of the index, each year the effective value of university funding drops'.¹⁸

2.24 The committee received abundant evidence of the adverse consequences of the current indexation arrangement on the quality of education, infrastructure and campus life generally. The assessment of the RMIT Student Union is typical of the views of many other student representative bodies at other universities:

15 AVCC, *Excellence and Equity*, etc., p. 29

16 Professor Ross Milbourne, *Hansard*, Parramatta, 22 September 2003, p. 3

17 Submission No. 341, University of Technology, Sydney, p. 1

18 Submission No. 417, AVCC, p. 29

The quality of education has gone down, with two out of five students being dissatisfied with the quality of their course. RMIT's ability to improve equity outcomes on campus has stalled. Resources on campus are stretched and campus conditions are deteriorating. Student staff ratios have climbed dramatically, and students have reduced access to feedback from their lecturers. The library has inadequate staff and is unable to provide textbooks for students. Students are suffering under increased debt burdens and inadequate income support with more forced into paid work than ever before, taking time away from their studies.¹⁹

2.25 The individual submission from Olivia Murphy, a third year Arts-Law student at Sydney, reveals how the extent of deteriorating infrastructure is reaching scandalous proportions. She submits that:

When I was in first year, I always made sure that I was ten minutes early to my Arts lectures, and stayed close to the door when the lecture theatre emptied out before my class. I knew that unless I elbowed my way to the front of the crowd, I would have to spend the lecture sitting on the steps in the aisle, or on the floor beside the lectern, with a notepad balance on my knees. If my lectures followed each other and I couldn't get to the second until five minutes before it started, I would occasionally have to stand outside the open door and try to guess what the lecturer was saying. In hot weather, those at the back of the lecture theatre invariably fall asleep before the lecture's midpoint, due to the lack of oxygen in the theatres. In a second year English class, when it was raining heavily outside, I noticed that water was running down into the c. 1958 electric projection box beside me. After being yelled at by the lecturer for interrupting the lecture in my efforts to move seats, there was the sound of ripping and a large section of the ceiling caved in, covering the back row in a soggy black muck of plaster, gum leaves and pigeon droppings. The next week, this hole was repaired with electrician's tape and plastic sheeting, under which students continue to sit, over a year later. There are not enough chairs and desks in the rooms for the number of students in tutorials. Classes are only offered once a week due to a lack of funding, so for thousands of students, a timetable clash which prevents them from attending all the lectures for a class they remain enrolled in is a usual part of life. I have had two such clashes, and it is impossible to ever catch up completely. Subjects are offered not every year, but only in alternate years, and are constantly being cut due to lack of teaching capacity, as staff who leave are not replaced. In an honours preparation course last semester, I was taught postmodern theories of textual scholarship by an expert in Medieval poetry, who was even less happy about the situation than her class was. The library drastically reduced its purchases and periodical subscriptions in 1996, making it increasingly difficult to find recent scholarship. Its opening hours fail appallingly to allow for the fact that the majority of students work and have very little free time during the working

19 Submission No. 437, RMIT Students Union, p. 5

week, and need a library that is open late at night, early in the morning, and over the whole weekend.²⁰

2.26 The Institution of Engineers, Australia, also draws attention to the actual condition of ‘austerity’ in our universities. It says:

Commonwealth funding for universities has fallen sharply over the last twenty years. Few industries have been subject to such a sharp financial adjustment as the tertiary education sector... The short-term health of the university - its ability to “make-do” with swelling class sizes, or part-time, low paid lecturers, or without replacing laboratory equipment or replenishing the library, or by accepting increasing numbers of fee-paying students, or by directing faculty activities away from teaching and scholarship towards entrepreneurial energies – may be its worst enemy is the need to make a case for increased public revenues.²¹

2.27 This description of declining conditions and infrastructure crisis is fairly typical of accounts provided by other submissions and witnesses, with library and laboratory conditions and crowded class rooms a recurring theme.

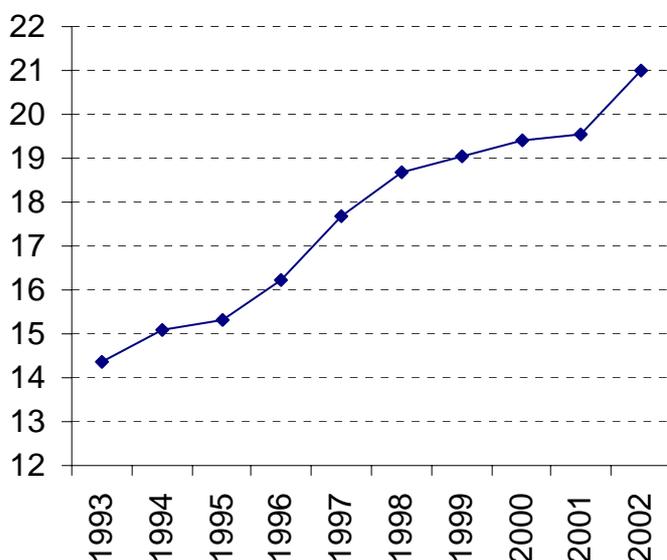
2.28 Universities that cannot increase their fees enough to cover salary costs will be forced to take measures that further erode the quality of higher education and further retard its potential. These measures may include increasing the cost of student fees and charges, the rationalization of courses and research, and even the closure of campuses. Clearly, the core principles of the proposed reforms – sustainability, quality, equity and diversity – are not reflected in this situation.

2.29 Student-teacher ratios are another recurring issue. The rate of increase of student numbers is not being matched by the rate of increase of staff numbers. The latest available figures, for 2002, place the student to teacher ratio at 20.4:1. This represents a 7 per cent deterioration on the 2001 figure. The ratio has worsened by around 40 per cent since 1990, when it was 12.9:1. The student-staff ratio is a telling indication of the diminishing value of indexed grants, particularly since 1996.

20 Submission No. 344, Ms Olivia Murphy, p. 23

21 Submission No. 347, Institution of Engineers, p. 9

Student to Teaching Staff Ratio 1993-2002²²



Conclusion

2.30 The committee concurs with the view of Professor Gavin Brown, the Vice-Chancellor of the University of Sydney, when he says:

...the most significant defect [in the reform package] is the lack of an effective mechanism for indexation of the government contribution.²³

2.31 The committee believes that it is for this reason, mainly, that the financial positions of most universities over the long-term are not sustainable. Further in this chapter, on the new sources of revenue which the Government has opened up to universities, it will be argued that there is a large amount of wishful thinking on the Government's part. It is likely that only those universities in the Group of Eight, and not all of those, will be able to access the revenue streams from HECS and private fees that are promised by the Government. For most universities, these revenue streams will be trickles. The committee believes that a further infusion of funds will be necessary beyond 2007 as a result of the Government's inaccurate income projections. In the meantime, universities will have, in the absence of full indexation, yet more years of uncertainty before them.

Recommendation

It is recommended that the Wage Cost Index (Education) be used in the formula to index university grants in order to provide the funding required to maintain

22 http://www.avcc.edu.au/policies_activities/resource_analysis/key_stats/student_staff_ratios.htm

23 Submission No. 105, University of Sydney, p. 3

and improve educational quality without increasing the fee burden on students and their families. The Australian Greens and the Australian Democrats support an increase in indexation, equivalent to that in public schools.

The Commonwealth's contribution: the Commonwealth Grants Scheme

2.32 Until now, the Commonwealth has notionally funded universities on a historical basis which has its origins in an exercise embarked upon at the end of the 1980s, and resulted eventually in a structure known as the Relative Funding Model (RFM). The idea of the RFM was to strike a series of rates, expressed in a matrix, which accurately reflected the average per-student teaching and associated costs by discipline cluster and level in higher education. These rates were then applied to universities, according to their enrolments by discipline and level of course.

2.33 The purpose was to level the playing field so that old historical anomalies – based on the former location of each institution vis-à-vis the old ‘binary divide’, for instance – were eliminated in the Unified National System brought about by the Dawkins reforms. The crucial point here is that this exercise was at least notionally an *empirical* one. It was designed to ascertain the actual costs, based on a survey of a range of institutions and institution types, to be applied to all universities so that a level playing field was created.

2.34 In practice, the exercise was far from purely empirical. Vested interests and political considerations, as well as extraneous policy pressures, shaped both the original draft cost matrix and the final outcome. However, the committee notes that the intention of the model was to reflect actual teaching costs and fund universities so that they could adequately meet those costs. Over time, institutions have shifted the balance of their student load and concomitant changes in Commonwealth funding levels, subject to annual negotiation as part of the Profiles process, which have only partly reflected these shifts. Universities have been able to enroll more students, for instance, by moving their enrolments into ‘cheaper’ courses.

2.35 HECS has not been a direct contribution to institutions, designed to defray these costs, but a uniform payment on the part of graduates to the Commonwealth in recognition that they had benefited financially from their higher education, and that has been argued that they should contribute retrospectively to its cost. Under the proposed new arrangements, universities would essentially have one major ‘customer’ – the Commonwealth – and thousands of minor individual customers – the students. How institutions balance their finances will depend on how they manage these two income sources.

2.36 The committee emphasises that the intent and the shape of the proposed new Commonwealth Grants Scheme (CGS) differs starkly from that of both the Relative Funding Model exercise itself and its outcome.

2.37 With the CGS the Government is in effect setting *prices* rather than reflecting *costs*. As the sole buyer of teaching services in the new purchaser-provider model, the Commonwealth has the power to set these prices, for different kinds of courses, as it chooses. For instance, it had decided to set the price for Law at a very low level, while that for Agriculture is much higher, both in dollar terms and in terms of the proportion of the actual cost of providing these courses. The considerations it has brought to bear in making these pricing decisions can only be guessed at: they are not transparent or explicit.

2.38 However, it should be noted that, for pragmatic reasons, the Government has based much of its pricing structure on the old Relative Funding Model. This is because, if it departed too radically from this base, the Commonwealth funds to be made available to each institution would vary wildly and uncontrollably from the status quo of existing levels. Already we see that some universities stand to lose badly from the imposition of the new funding arrangements. This outcome would have been much more widespread if the RFM had not, by and large, provided the basis for the new prices.

2.39 However, since the new CGS funding will be allocated on the basis of actual enrolments by discipline (instead of, as now, on a historical base within which institutions enjoy considerable flexibility), the real effects of the prices set twelve years ago by the RFM will be hit hard, and the rough and ready nature of some of the accommodations necessitated by the politics surrounding that process will become apparent.

2.40 Use of the RFM as a basis for the CGS price matrix is fraught with practical difficulties that will only become apparent as the new scheme, if introduced, actually takes hold of funding allocations. The fact remains that the prices set as the basis of the CGS do not reflect actual costs, but do reflect historical anomalies and constraints on the one hand and the Commonwealth's sole-purchaser power on the other. The committee fears that the underpinnings of this funding model are unreliable as a firm base for university funding, and that unforeseen consequences of this inadequacy will certainly ensue.

2.41 The committee notes these points reinforced in the Phillips Curran report to MCEETYA:

Because the Commonwealth contribution rates have been set to replicate the status quo, they build in the policy anomalies that have arisen through the accumulation of past decisions, especially the introduction of differential HECS rates. These anomalies are evident in a cursory examination of the Commonwealth contribution rates for each discipline cluster shown in Table 2.1. The Commonwealth contributions vary by a factor of three between a low of \$1,509 for a full-time law student and a high of \$16,394 for a full-time student in agriculture... Clearly, there is no link between the rates and either the costs of the courses or their public benefit. Because the CGS will fund all eligible load in a discipline cluster at the same rate, regardless of institution, there will no longer be any over- or under-funding. This means

that currently over-funded institutions will lose Commonwealth funding and underfunded institutions will gain. The effect of this will be cushioned by the fact that the balance of each institution's course funding derived through HECS will not be affected by this adjustment and will be determined by the institution itself. The adjustments will also be cushioned by the foreshadowed increases in the Commonwealth course contribution.²⁴

2.42 Melbourne's Victorian College of the Arts is but one casualty of the changed funding regime. Under the new arrangements the internationally renowned arts college is facing a \$5.4 million funding cut, over 30 per cent of its annual budget.

2.43 A reduction of this magnitude would severely compromise the operation of the school, and would be a tragic blow to the cultural future of the nation.

Recommendation

That to ensure that the Victorian College of the Arts retains its current level of funding, without the requirement that the University of Melbourne cross-subsidise its operations, and while retaining its affiliation with the University of Melbourne, consider transferring VCA funding to DCITA, in order to recognize its parity in terms of quality of education and training with the AFTRS and NIDA in New South Wales.

Recommendation

That the Commonwealth Grants Scheme be rejected while universities, such as the University of Western Sydney, the Victoria University of Technology and the University of South Australia, receive less under it (excluding any potential increases conditional on meeting unreasonable industrial relations and governance provisions and any transitional funding) than under existing operating grants.

Changes to the Higher Education Contribution Scheme (HECS)

2.44 With indexation in long-term decline, the funding of universities will depend much more on the Higher Education Contribution Scheme for its core funding. HECS is to be the new 'base funding' under the Government's policy: the means of securing cost shifting from the public account to the individual. The committee is of the view that this strategy is unsustainable because the level of debt to be born by individuals and families, on top of current mortgage and other debt. Nor will the 30 per cent extra HECS payment permitted under the legislation be the final adjustment. Such imposts always increase over time. We will rapidly reach the maximum level of HECS debt that economists are able to justify.

24 Phillips Curran, *Independent Study of the Higher Education Review: Stage 2 Report*, (Hereafter: Phillips Curran report), vol. 2, p. 8

2.45 HECS was originally adopted in 1989 as a deferred payment income contingent option intended to be a way for students to contribute to the cost of their university education. As a funding arrangement it has been generally well accepted. In the 1996-97 budget, changes were made to HECS which have proven in hindsight to have been an evolution toward the proposals in this bill. They were that charges were increased; a three level charge system replaced the uniform charge; and, universities were allowed to charge fees for undergraduates not accepted under HECS, up to 25 per cent of the HECS numbers in a course.

2.46 The changes proposed in the Higher Education Support Bill, involving a further 30 per cent increase in HECS has emerged as a serious concern of many submissions and witnesses. These concerns relate mainly to issues of access and equity. If equity is one of the four cornerstones on which *Backing Australia's Future* is based, the Government has failed the test in the key elements of its so-called reform. Indeed, equity is seen as a core principle on which reform should be based. The committee endorses this view and shares the fears of many that the *Backing Australia's Future* package will produce an outcome that makes access to university education even more difficult for people of working class backgrounds, and for people who are disadvantaged. Worthwhile and genuine reform should make university education more accessible to these groups, not more difficult.

2.47 The Stage 2 Report Phillips Curran report commissioned by the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA), concluded that the *Backing Australia's Future* package could have a number of effects on access and equity for Australians in general and particularly for disadvantaged Australians. The Phillips Curran report found that the package offered little increase in access or participation. It listed other possible negative consequences First, the package might serve to restrict some students' access to the institution and course of their choice because of differential fee levels operating across universities and courses; second, it may lead to an increase in the HECS deferral rate due to the potential 30 per cent increase in fees; third, it would constrain access for some students due to the time limit within the Learning Entitlement; and, fourth, would have some regressive effects as a consequence of certain aspects of the new undergraduate fees policy.²⁵

2.48 After the proposed introduction of the new Commonwealth Grants Scheme in 2005, the average student's contributions will be somewhere between 44 per cent and 56 per cent of the cost of their education, depending on the extent to which universities increase fees above current HECS rates. Assuming all universities charge the equivalent of HECS, students' contributions will vary from 81 per cent for a law student to 25 per cent for a student enrolled in agriculture. Even students enrolled in education and nursing, which have been identified as national priority areas and therefore receive additional funding, will still pay 35 per cent and 28 per cent of their

25 Phillips Curran report, vol. 2., p. 3

course costs respectively.²⁶ Table 1 shows the estimated HECS charge in 2005 and the maximum fee a university will be allowed to levy on students²⁷.

Student contributions under CGS

Discipline Group	HECS Charge	Maximum Fee	Estimated Average Cost	Student Contribution	
				HECS	Max Fee
Law	\$6,427	\$8,355	\$7,936	81%	105%
Accounting, Administration, Economics, Commerce	\$5,490	\$7,137	\$7,971	69%	90%
Humanities	\$3,854	\$5,010	\$8,034	48%	62%
Mathematics, Statistics	\$5,490	\$7,137	\$10,427	53%	68%
Behavioural Science, Social Studies	\$3,854	\$5,010	\$10,490	37%	48%
Computing, Built Environment, Health	\$5,490	\$7,137	\$12,882	43%	55%
Foreign Languages, Visual and Performing Arts	\$3,854	\$5,010	\$12,945	30%	39%
Engineering, Science, Surveying	\$5,490	\$7,137	\$17,793	31%	40%
Dentistry, Medicine, Veterinary Science	\$6,427	\$8,355	\$21,849	29%	38%
Agriculture	\$5,490	\$7,137	\$21,884	25%	33%
Education *	\$3,854	\$3,854	\$11,132	35%	35%
Nursing *	\$3,854	\$3,854	\$13,587	28%	28%
Weighted Average for all students				44%	56%

2.49 Under the new Commonwealth Grants Scheme, the Commonwealth will make a set contribution to the cost of educating students in various discipline clusters. In addition to the basic Commonwealth contributions, each university has the right to charge its own fees. The level of fees that a university is allowed to charge can vary

26 Submission No. 466, National Tertiary Education Union, p. 25

27 A full explanation of the data and methodology can be found in the NTEU Briefing Paper, *Student Contributions to the Cost of their University Education*, May 2003

from \$0 to a maximum of 30 per cent above the equivalent HECS charge in any given course.

2.50 The revised HECS scheme is the main instrument for raising additional funds for universities. The committee does not believe that other sources of revenue will be nearly as reliable as the revised HECS, and any of the ‘jam’ that comes from full-feeing paying domestic students will go mainly to Group of Eight universities. In Chapter One the committee discussed the issues of public benefit and private benefit in relation to university fees, and this bears mainly on the issue of HECS. The committee heard an interesting perspective on this issue from the NTEU submission from the University of New England:

Both because there are some people who are genuine in their belief that graduates should make a financial contribution to the cost of their education, and for the sake of the argument, let us accept that the significant private benefit accruing to individuals should be recognised by a higher financial contribution made by those graduates who earn higher incomes. The problem is—and always has been—that the attempt to extract a higher contribution from graduates is a highly selective aspect of public finance over the past fifteen or twenty years. Certainly, there have been other categories of citizens subjected to user-pays principles in this period; however, in the bigger picture at least, the requirement on graduates to pay a higher contribution because they earn a higher income and therefore have a greater ability to pay, is a stark contradiction of the more general argument that successive governments have advanced in the last two decades: not only is the HECS requirement on graduates contradictory of the more general de-emphasis, since the mid 1980s, on the principle of ‘ability to pay’; the fact of the matter is that this higher contribution has been required at a time when the actual tax system has become considerably less progressive.²⁸

2.51 The committee was ‘on the road’ with this inquiry when the Government announced a \$7 billion surplus on the current account, a news item which interested a number of cash-strapped vice-chancellors at the time. While accepting the central argument of this submission, the committee makes the point that even without an effective progressive income tax rate, sufficient revenue is raised to cover the demands of important national expenditure. The main weakness lies in the distribution policy.

2.52 The National Union of Students told the committee that the new HECS arrangements were among its core concerns. The central objection was that the partial deregulation of HECS created another variable funding mechanism to allow universities to compete in an education market.²⁹ The committee shares the skepticism of the NUS about the Minister’s claims that some universities might drop their HECS

28 Submission No. 441, NTEU (University of New England), p. 2

29 Submission No. 411, National Union of Students, p. 15

rates. Deregulation theory may allow for this possibility but no commentator has given credence to the likelihood of it occurring. The NUS submission commented:

However, it is almost certain that many universities will opt for the full 30% increase in high demand courses. NUS predicted that some of the high status universities would be entirely shameless about moving rapidly to apply the full 30% increase across the board (apart from the protected areas of nursing and education). A recent Sydney University Senate meeting considering this proposal was shutdown by student protesters. However, a secret meeting scheduled early the following morning voted 9-8 to go for the 30% fee increase across the board. Even more disturbing was that the fee hike was justified on the basis of maintaining 'brand image' rather than improving quality. So the logic goes that universities will increase their fees to appear as first rate institutions.³⁰

2.53 NUS also offered the view that there would be pressure on other universities to follow the benchmark set by the 'elite sandstones.' It quoted the comment in *The Age* on 15 July 2003, by the Chancellor of RMIT, Professor Dennis Gibson, that Sydney University's decision to increase HECS by 30 per cent had put pressure on other institutions to charge students more for their education. 'It's going to be a very hard decision, Professor Gibson said, 'Can we afford to have our big brothers charging lots of fees and us having low fees?' Professor Gibson said the fact that there was a marketing position that goes with price was an important factor in considering fees.³¹

2.54 Vice-chancellors had different ways of telling the committee about the hard choice they would have to make. If Professor Gibson of RMIT appeared unperturbed about HECS increases, this view was not shared by some others. Professor Janice Reid, Vice-Chancellor of the University of Western Sydney had this to say:

The most worrying possibility for us is that if any of those [campus closures and other stringencies] outcomes were to be avoided we would have to look at raising HECS. Five years ago our board of governors set its face against charging full fees for undergraduate places. It has not revisited that position. I expect it will examine it but I do not expect there will be any sympathy on the board of trustees to introduce full fee paying places. As 20 per cent of our places are in nursing and education, which are protected in terms of HECS increases, we would have to raise HECS very substantially for other courses—possibly to the full 30 per cent—if we were to avoid staff losses, campus closures or course closures.³²

2.55 The committee also heard evidence of another pressure bearing on universities, particularly in rural and regional areas which takes a different point of

30 *ibid.*, p. 16

31 *ibid.*

32 Professor Janice Reid, *Hansard*, Sydney, 22 September 2003, p. 29

view to the NUS perspective, but which also sees serious disadvantages in increased HECS charges:

We are concerned that the partial deregulation of HECS will put pressures on institutions that will force them to discount their HECS rates. There are already indications that at least one of the major universities in Victoria will raise its HECS fees by the full 30 per cent across the board. Professor Gilbert indicated that the University of Melbourne is thinking about doing it on a large scale. We are concerned that there are one or two institutions in Victoria at least, both within the city, in the metropolitan area, and outside of it, which will be forced to discount their HECS rate either to maintain their student load or to keep the quality of their student load up to acceptable levels. In the case of regional institutions, the level of discount would have to be only a very small way below the standard HECS rates for it to eliminate completely the regional loading that those campuses and universities are going to get. So the second major point I want to emphasise is that a number of the measures proposed in this package create the danger of the development of a seriously inequitable system.³³

2.56 It is evidence such as this which causes the committee to reflect on the legislation as ‘a leap into the unknown’. The consequences of the policy implementation cannot be confidently predicted except in the sense that they are highly unlikely to go the way the Government intends.

2.57 The committee has followed with some interest the Government’s attempts to suppress internal DEST research, produced in 2002, and regarded by independent academic researchers as methodologically sound, which concluded that while the higher education opportunities for low socioeconomic status (SES) have increased over the years, their participation rates remain unchanged. A small sampling also showed a decline in the number of male SES students. The report concludes that any future changes to HECS arrangements will need to be carefully designed to minimize their effects on groups more sensitive to student charges.³⁴

2.58 This DEST research was never formally released, possibly because it is very cautious advice about the care needed with HECS policy was to be disregarded in almost spectacular fashion in *Backing Australia’s Future*. Attempts have been made to discredit the research. The committee does not believe the conclusions drawn in the paper to be other than cautiously indicative. DEST’s suppression tells us more about the nervousness of the Government in selling its radical policy than the unanticipated consequences that will occur as a result of it. Furthermore, the committee found that others were coming to less equivocal conclusions than the DEST researchers.

33 Dr Terry Stokes, *Hansard*, Melbourne, 2 October 2003, p. 17

34 DEST draft paper (Aungles, Buchanan, Karmel and MacLachlan), *HECS and Opportunities in Higher Education*, 2002, p. 2

2.59 The committee heard evidence of research done in western Sydney which suggests that DEST research is both conservative and timely.

When we surveyed a lot of our families and students in relation to HECS to see whether that was having any impact on decisions to go to university, the general theme was, 'We don't like to go into debt. We like to pay fees up-front if we can.' Extrapolating from that and from a number of conversations I have had with community members, local government, students and parents over the last few months, I think there is enormous anxiety and a degree of bewilderment about what this means for them. The kind of comment you get is: 'Child 1 and child 2 went to university and we are so proud of them. They were the first in our family ever to go to university. We came out from Vietnam as boat people. It is just wonderful to think that we can have these opportunities, but we are not sure about child 3 now. We don't know whether we can support them to the same extent, and we don't know whether it wouldn't be better for them to go out into the work force straight from school.' If that becomes a trend and if those are the kinds of assumptions that underpin people's decisions, it will be tragic if we see students who are very able and very keen to go to university being discouraged from doing so by either the prospect of debt or their family's reaction to the prospect of debt.³⁵

2.60 The committee heard a great deal about debt aversion, and it was a frequently recurring theme in student union submissions. For instance, the RMIT Student Union submission stated that fees are the single greatest barrier to equal participation of women in higher education. Differential HECS ties a woman's decision to study in a particular discipline on an assessment of her ability to repay higher fee levels. The submission argued that some women will be deterred from expensive courses like law and vet science. As they already take three times longer, on average, to pay of their HECS as do men, some women will still be paying student loans beyond middle age. Questions about breaks in study, for family reasons, occur more frequently for women, and this makes repayment of loans more expensive.³⁶

2.61 The committee heard almost unanimous opinion on one matter to do with the HECS changes, and that concerned the minimum repayment income threshold, currently set at \$30 000. The commonly held view is that the threshold should be increased to \$35 000. Although the Greens and Democrats note that this still falls short of average weekly earnings, the point at which graduates could reasonably be understood to accrue significant private benefit from their education. However, this figure is closer to average weekly earnings and would ease the repayment burden for those on less than average earnings.

2.62 The objection to increased HECS centres most on its inequity. Some submissions claimed that the current HECS is inequitable, and increases make it

35 Professor Janice Reid, *op. cit.*, p. 41

36 Submission No. 437, RMIT Students Union, p. 6061

worse. The committee is concerned that HECS may over time be further increased. When or if that occurs, there will be serious questioning of the affordability of higher education for the large majority of those who would normally be admitted to university. The committee has already received evidence of the burden on students with years of indebtedness ahead of them. Debt aversion is not only a characteristic working class attitude, as the committee is told: it is the hard-headed attitude of those whose financial commitments are directed to other ends, like houses and families, motor vehicles and other investment opportunities. Universities which like to see themselves in competition will come to see that the competition is not only other universities, but products other than higher education. Thus universities may price themselves out of the wider market.

Recommendation

That the maximum HECS fee not be increased by 30 per cent and that ministerial discretion to increase HECS fees be removed from clause 93-10.

The committee notes that: the Democrats and Australian Greens support this recommendation but have added an additional recommendation that HECS fees should be abolished.

Recommendation

That the HECS repayment income threshold be increased to \$35,000 in 2004-05.

No growth in places and reallocation of marginally funded places

2.63 Each year tens of thousands of Australians are denied a HECS place at university simply because the Government will not fund enough places to meet the demand of people who universities recognise as qualified. This year unmet demand was reported by the Australian Vice-Chancellors' Committee to be in the range of 18,700 to 25,700. This is a shocking waste of talent that is ignored by the Howard Government's proposals.

2.64 Between 1995 and 2001, Australia had the second worst growth in university participation in the OECD, ranking 18th out of 19.³⁷ The Howard Government's appalling record on providing opportunities to undertake further study is going to get even worse under these bills. Phillips Curran warn that the Government's proposals on student places:

...will not keep pace with projected population growth. Without further growth the number of Commonwealth subsidised places per 1,000 people aged 15 and over will fall from 27.2 in 2002 to 24.8 in 2011 and 22.6 in 2021;

and further that:

37 OECD, *Education at a Glance*, 2003, Table C2.2, p. 268

The net change resulting solely from *Backing Australia's Future* is a reduction in HECS-liable places of 1175 EFTSU in 2008 compared with 2002.³⁸

2.65 The Howard Government's 'vision' is a future in which a smaller proportion of Australians have the opportunity to study in our universities. This is unsustainable at a time when more than ever our international competitiveness will be determined by the skills and knowledge of our people.

2.66 Rather than reducing opportunities, the committee believes that creating more publicly funded places to meet existing unmet demand and ensure that participation more than keeps pace with demographic growth.

Recommendation

In order to meet current levels of unmet demand for a university place from qualified applicants, it is recommended that an additional 20,000 full and part time commencing university places be created.

The committee notes that: the Australian Greens call for 50,000 new places.

2.67 The Government has announced that it will fund at a cost of \$347.4 million over four years commencing in 2005, the conversion of 25,000 marginally funded places into full HECS places. This measure is intended to bring the current provision for over-enrolment to an end. The committee majority notes that while vice-chancellors have generally welcomed the conversion of marginally funded places into full HECS places, there are some serious implications that flow from this.

2.68 The committee makes two points in relation to this policy, which appears not to be reflected in the legislation before the Senate. The first is that there are currently about 33,000 over-enrolled students in universities around the country. With over-enrolments stopped from 2005, this will result in 8,000 fewer places on offer. The Government's proposal is therefore less generous than would first appear. The enthusiasm of the vice-chancellor may have something to do with additional funding, but many students are likely to be less happy with the arrangement.

2.69 The second point is that the Government's proposal is likely to be contentious once in operation. The Curran Phillips report notes that the phasing in of the converted places will not necessarily mean that universities currently over-enrolling students will gain the benefit of the conversions. The fully subsidised places will be reallocated across the whole sector according to Commonwealth priorities, taking into account the labour market needs of states and territories.³⁹ The committee anticipates that the scramble for the reallocated places will be the cause of much dispute as arguments about demographic influences, labour market requirements, state rivalries and

38 Phillips Curran report, p. 1

39 Phillips Curran report, p. 11

university rivalries come into play. There is no indication of how the Government intends to deal with this challenge. The committee presumes that the allocation formulas are being worked on in the appropriate Guidelines, which as this report is tabled, have yet to see the light of day.

2.70 There is already evidence of apprehension. Several submissions warn of the dangers ahead for both universities and the Government. The University of Western Australia has pointed to difficulties arising for that state

...we emphasise that it would be necessary to change significantly the allocation of these places from their current distribution to one based on proper measures of demand and equity. In this context we note particularly the serious under-provision of places to WA and to this University, and seek some assurance that a redistribution of places will recognise the fundamental principle that equally-able students should have equal opportunity of access to higher education irrespective of their state of residence. The use of appropriate demographic analysis to guide place reallocation is therefore an important issue to this state and this University.⁴⁰

2.71 The strongest reservations about the Government's proposals came from the University of Adelaide. The submission from the university stated that it was over-enrolled to the extent of 9.8 per cent (against the national average of 7.9 per cent) and this was due to excess demand from highly qualified students who had missed out on the university HECS quota. The university defended its over-enrolment policy, claiming that quality was being fully maintained and that the university had an obligation to serve the South Australian community. Even so, there was a net loss of 4,700 eligible students from South Australia to other states.⁴¹ The submission went on to explain the consequences of the university losing a high proportion of HECS converted places.

A further reduction in the number of fully funded higher education places available to students will result in even more eligible South Australians moving interstate in order to obtain a fully funded place in their chosen degree, with the very real risk that these students will not return to South Australia at the conclusion of their studies. This in turn will have a deleterious effect on the South Australian economy and labour market, unnecessarily perpetuating the rationale for removing these places in the first place.⁴²

2.72 The submission described the possible flow-on effects of the removal of places:

40 Submission No. 368, University of Western Australia, p. 3

41 Submission No. 227, University of Adelaide, p. 4

42 *ibid.*

Should South Australian universities be forced to reduce the level of overload without being compensated with fully funded places, cut-off scores for programs will inevitably rise. Preliminary data analysis conducted by the University of Adelaide has shown that with a reduction in the number of offers in more popular programs of between 10-20%, cut-off scores will rise substantially. This will create a domino effect, as unsuccessful eligible students will then be forced to accept places into their lower preferences, which will in turn result in the increase of cut-offs for many other programs. Some students may miss out on a place altogether, or be forced to move interstate. None of these outcomes is beneficial to South Australia.⁴³

2.73 South Australian universities, Adelaide University in particular, cautioned strongly against the use of demographic data alone in determining the allocation of funded places.

If you looked at Victoria 10 years ago, the demographic projection was for a substantial reduction over the 10-year period. Looking at Victoria now, we see that it is, in fact, one of the growth states. We believe that it is a responsibility of government to ensure that states have the opportunity to develop and that we do not simply follow demographic projections without giving serious thought to how to build the country, to build the nation, to ensure that our states have some sort of future.⁴⁴

2.74 There was also strong objection to the use of labour market projections in determining the re-allocation of funded places. South Australians had some support from the University of Western Australia in this regard.

We also caution against the use of labour market planning to drive the allocation of places. While we would support some additional places for teaching and nursing, it is a matter of public record that the use of Commonwealth priorities based on labour market 'needs' has rarely succeeded and should not be used to make highly specific forward allocations of places.⁴⁵

2.75 This submission was reinforced at the Perth hearing with Deputy Vice-Chancellor Alan Robson declaring that the university was very much against the use of labour market planning to drive the allocation of places. 'Labour market planning is notoriously inefficient as a device for allocating places.'⁴⁶

2.76 While the committee does not commit itself on which factors should be taken into account in the allocation of funded places, it does make the strong point that Governments which intend to administer programs have an obligation to stakeholders

43 *ibid.*

44 Professor James McWha, *Hansard*, Adelaide, 1 October 2003, p. 2930

45 Submission No. 368, University of Western Australia, p. 3

46 Professor Alan Robson, *Hansard*, Perth, 30 September 2003, p. 71

to inform them of the processes that will be involved in making decisions, and the basis on which decisions will be made.

2.77 Underlying this omission is the ‘schizoid’ nature of the policy and the legislation which reflects it.⁴⁷ The Government wants to make universities ‘free’, in accordance with market theory and supposedly liberal management theory, but it also wants to use the universities as agents of economic and social policy. Universities are thus freed up to the extent that their binding chains allow.

Recommendation

The phase out of overenrolled places should not result in a reduced number of places for Australians nationally or regionally.

HECS – HELP

2.78 From 2005, higher education institutions in receipt of Commonwealth funded places will be able to determine the student contribution level for each course they offer within a range set by the government. HECS-HELP will be the mechanism through which students in Commonwealth supported places can pay universities for study. The program will be indexed by Consumer Price Index (CPI) movement to maintain its real value and will be interest free. A deferred income contingency repayments arrangement will be available. Student contributions will vary depending on the subject chosen and the fee charged by the university.

2.79 The minimum repayment threshold under this program will be \$24,265 in the 2002-03 rising to \$30,000 in 2005-06. The maximum repayment amount will increase 8 per cent where income exceeds \$64,999.

2.80 The discount for up front payments will be 20 per cent (reduced from 25 per cent under the current HECS scheme) and the bonus for voluntary repayments will be 10 per cent (reduced from the current HECS level of 15 per cent). These new changes will apply to existing HECS debts from 2005.

2.81 All student payments will be paid to universities.

2.82 Professor Chapman, in his submission, notes:

In summary, it would seem that HECS-HELP is likely to have two effects, the most obvious being that universities would have more revenue which would be supplied through higher imposts on students. Second, so long as most of the additional revenue is delivered directly to the university departments (this is in fact how HECS-HELP is proposed to operate) there is some potential to promote economically propitious outcomes, such as

47 See Professor Peter Sheehan’s description of government policy, *Hansard*, Brisbane, 23 September 2003, p. 12

relative changes in academic salaries to more accurately reflect outside opportunities.

2.83 In relation to price competition, Professor Chapman states there are reasons to be concerned:

...First, the extent to which institutions will be able to benefit from price discretion will be a result of their location and history...this gives them significant commercial advantage. The fact that universities do not pay rent means that the playing field is not level.

Second, an important part of universities' relative standing is the result of many years of public sector subsidy...the alleged benefits of competition could be undermined without close attention to these issues of both geography and history.⁴⁸

2.84 Unfettered price competition could also place burdens on students. Professor Chapman states in his submission:

...it is difficult to believe that the current HECS levels are markedly below what they should be. In some cases currently, Law for example, it is very likely that students are paying as much as the teaching costs involved. Full price discretion would suggest that such examples are likely to become commonplace. This rests uneasily with the economic rationale for public sector financial support, which suggest that activities associated with spill-over social benefits should be subsidies by taxpayers; in other words, that students should pay less.

Finally, there will be some level of HECS above which it is not feasible to collect debt...⁴⁹

2.85 Professor Chapman indicates that it is difficult to estimate the effect of HECS-HELP on the majority of students, given that it depends largely on the student's future income and employability. But it is likely that debt levels will increase for certain demographics:

...for male graduates expected to work full-time, an increase in the HECS charge results in a true financial increase which is very close to what the apparent charge implies. That is, if there are no changes to HECS levels in 2005 typical male graduates will experience no important effective benefits from the new first income threshold...

For women the story is different...relatively poor women graduates working full-time, and those in and out of the labour force...the HECS-HELP arrangements will deliver important financial benefits if the HECS charges does not increase...benefit will be of the order of 15 per cent of the present

48 Submission No. 403a, Professor Bruce Chapman, op. cit., p. 18

49 *ibid.*

value of HECS. However, the situation will be changed substantially if the charge increases by 30 per cent.

...compared to current arrangements, relatively poor female graduates working full-time will experience no financial advantage (or disadvantage)...Female graduates who leave the labour force for a short period after which they work part-time will face about a 25 per cent higher true debt if the charge increases by 30 per cent.⁵⁰

2.86 The committee majority notes that HECS-HELP will increase the cost to students of obtaining an education. It will particularly affect groups that enter and leave the workforce who may in some ways be considered disadvantaged.

FEE-HELP

2.87 The Fee Paying Higher Education Loan Program (FEE-HELP) will provide eligible students with an income contingent loan facility to pay for undergraduate or postgraduate fees in courses in public or eligible private institutions. Students will be able to access a loan capped at \$50,000.

2.88 The debts accrued under FEE-HELP will be indexed to the consumer price index (CPI) plus 3.5 percent each year for a maximum of 10 years, before returning to indexation by CPI. If a student has an existing HECS or HECS-HELP debt and a FEE-HELP debt, compulsory repayment will be directed to the HECS or HEC-HELP debt first.

2.89 Unlike with HECS-HELP there will be no bonus for voluntary repayments.

2.90 FEE-HELP will start in 2005. It will replace the Postgraduate Education Loans Scheme (PELS), Open Learning Deferred Payment Scheme (OLDPS) and the Bridging for Overseas-Training Professional Loans Scheme (BOTPLS).

2.91 Positive aspects of this scheme were noted in the Phillips Curran submission:

...go some way towards addressing the anomalies in the current system, whereby income-contingent loan facilities are available to domestic postgraduate students but not to domestic undergraduate students. It will also help to reduce inequities since students will no longer be required to pay their fees up front....anticipate that the number of fee-paying places will rise significantly as a result of the *Backing Australia's Future* changes, creating additional higher education opportunities (although with a limited impact on overall participation rates).⁵¹

2.92 Phillips Curran highlighted four concerns in its submission, including limiting the debt level cap to \$50,000. As the report noted:

50 *ibid.*, p. 21

51 Phillips Curran report, p. 73

Fees for some courses are already in excess of this amount. There is a real possibility that some students will have exhausted their loan limit before graduation, and will face the possibility of paying for the completion of their courses with up-front fees. This will be particularly relevant to postgraduate students who may already have a FEE-HELP debt for their first degree. The private capital market will not provide loans to cover this situation, and students may consequently be forced to discontinue their courses, or delay graduation while they work part-time to cover fees.

The second contentious aspect relates to the application of the real rate of interest on the FEE-HELP loan. This means that those who take the longest to repay will repay the highest amounts. In general, this will be those graduates who enter lower paid work, experience unemployment, illness or other separation from the workforce. This regressive aspect of the new policy is in contrast to the current HECS arrangements under which no real interest rate applies to the debt. Instead, a discount is offered for up-front payment, so that students who defer are effectively contracting to pay back a higher amount than those who pay up-front. While this effective surcharge is similar to a real interest rate, it does not have the regressive characteristic of growing in real terms. For this reason, a surcharge on the debt is a better mechanism than a real interest rate.

The third contentious aspect relates to the degree of price flexibility and restrictions on competition. Because there are a limited number of providers in the market and because the number of fee-paying places is limited...the price asked of students will not reflect the free operation of market forces. Instead it is likely that universities, especially those in the strongest demand position, will have the capacity to set fees that substantially exceed the costs of provision and the fees that would be set in the open market.

This provides a case to consider capping the fees for all students....⁵²

2.93 The Council of Australian Postgraduate Associations (CAPA), in its submission, disputes the user pays system in education, noting that Australians already pay a higher proportion of education costs than most OECD countries.⁵³

2.94 Further, CAPA notes that:

...if the individual does not go on to derive a financial benefit from their education, they will be forced to carry a long-term debt burden. Thus those who do go on to benefit financially from their education will pay for that benefit through the tax system....while those who do not derive a financial benefit from their education will be unfairly punished with a debt.⁵⁴

52 *ibid.*

53 Submission No. 260, Council of Australian Postgraduate Associations (CAPA), p. 3

54 *ibid.*, pp. 34

2.95 In relation to the interest rate proposed on FEE-HELP, CAPA argued that placing an interest rate on an income contingent loans scheme is inconsistent with such a policy, noting that:

...Under the proposed FEE-HELP scheme, the cost of education incurred by the student increases as long as they remain unable to pay. Such a system represents a significant turning point in Australian higher education policy and should be rejected by the Senate.⁵⁵

2.96 Professor Chapman expanded on the concerns with the real interest rate and suggested amending it with a surcharge:

...FEE-HELP's rate of interest regime is more likely to hurt the disadvantaged. Current HECS arrangements do the opposite, since those who pay back their debts quickly as a result of experience high incomes will be paying more in true financial terms. That is, HECS is more progressive than FEE-HELP, although it should be recognised that having a relatively low real rate of interest, and one reverting to zero after 10 years, limits importantly the extent of the difference.⁵⁶

2.97 CAPA was also concerned that students will not pay off their FEE-HELP debt until other debt, such as that incurred under HECS or PELS, have been paid in full. CAPA also noted:

If FEE-HELP is introduced as a replacement for PELS the loans will attract 3.5% interest, as well as CPI, totalling around 6.5% or effective market interest rates.⁵⁷

2.98 CAPA also expressed concern about the arbitrary powers of universities to set fees that have no relationship to course costs, noting that the University of Sydney has already indicated it will increase its course fees if the legislation is approved.⁵⁸

2.99 The committee considers it inappropriate to apply a real rate of interest on student debts given that students already have substantial debt levels.

Recommendation

That full fee paying domestic undergraduate places be abolished and accordingly, FEE-HELP loans be limited to postgraduate students.

55 *ibid.*, p. 4

56 Chapman, *op. cit.*, p. 24

57 CAPA, p. 5

58 *ibid.*, p. 5

Recommendation

That the real rate of interest on FEE-HELP loans be abolished by removing the 3.5 per cent interest rate in excess of CPI from clause 143-10.

New Commonwealth Scholarships: far inferior to the old

2.100 The Government has made much of the policy package's new 'scholarship' programs as concrete evidence of its good intentions. This is the best light in which Commonwealth Learning Scholarships – the Commonwealth Education Costs Scholarships (CECS) and the Commonwealth Accommodation Scholarships (CAS) – could possibly be seen. Unfortunately, these programs are cynically tokenistic: they offer benefits which are far too meager, either in scope or financial level, to be effective in assisting the students towards whom they are targeted.

2.101 The CECS is aimed at helping full-time undergraduates from low socio-economic levels and those with Indigenous backgrounds. There will be 2,500 scholarships awarded in 2004, rising to more than 5075 by 2007. They are valued at \$2000 per year for up to 4 years. Commonwealth Accommodation Scholarships are intended to assist full-time undergraduates from rural and regional areas who have to move from home to undertake higher education. These scholarships are also for full-time Commonwealth supported students. 1500 scholarships will be offered in 2004, rising to 2030 by 2007. According to the National Union of Students (NUS) these scholarships will cover about half the average cost of rental in an inner city suburb.⁵⁹ NUS also point out that it is likely that student mobility will increase as a result of reduced course offerings at many universities, due to the Government's new role in approving an institution's course profile in detail. Therefore these scholarships, meager as they are, will be much sought after.

2.102 About 26,000 full-time students from low socio-economic backgrounds and about 2,500 full-time Indigenous students commence university studies each year: only 18 per cent will receive CECS scholarships. Around 10,000 students come from rural and isolated areas and have to move away from home to study: only 20 per cent will receive CAS.⁶⁰ The number of those obliged to move away due to new limits on course availability will, if NUS is correct, actually increase significantly and so the number of CAS scholarships available will prove even less adequate in meeting students' needs for financial assistance.

2.103 The Phillips Curran report raised several problems with the new scholarships. First, why do they last for only four years when the Learning Entitlement is for five years? On top of this anomaly, it is clearly in no-one's interests for a student to confront a double impost of losing a scholarship after four years and then, a year later, having to switch to full fees because they have consumed their Learning

59 Submission No. 411, NUS, p. 25

60 *ibid.*, p. 81

Entitlement.⁶¹ The second and most important failing of the new scholarships relates to the number on offer. As the figures provided in the previous paragraph indicate, the scholarship programs will provide far from universal assistance to these categories of needy students.

2.104 There is also concern with the fact that the scholarships will be awarded on academic merit. This policy will work against equity objectives if it neglects student potential, as opposed to past performance, and also is blind to financial need. Finally, part-time students have no access to the scholarships. There is an equity issue here, as single parents and sole care providers find it very difficult to study full-time.⁶² Increased assistance to students through existing income support schemes is a more effective means of delivering assistance to students by avoiding perverse trade offs between scholarships, and youth allowance, Austudy and Abstudy.

2.105 On Commonwealth Learning Scholarships, Phillips Curran concludes that:

Disadvantaged students may face a growing set of pressures that will act to bring deficiencies in student income support schemes into sharper relief: higher HECS debts, restricted access through Learning Entitlements, continuing pressures to work while studying and/or borrowing money to cover living expenses.⁶³

2.106 The committee regards the new Commonwealth Scholarships as tokenism. They will be of very limited assistance to needy students. This remains true despite the recent announcement by the Government that just one of the breathtaking anomalies contained in the measure – the fact that the scholarships were to be counted as income for social security purposes – was to be partially corrected by excluding only the HECS exempt scholarships from income assessment.

The need for accommodation and rent assistance

2.107 The committee has noted above that the accommodation scholarships to be offered are inadequate in both number and in the benefit conferred. Yet the student accommodation issue will become more prominent under the new regime as universities attempt to attract students from interstate and when mobility of study becomes more common. This will happen if universities attempt to diversify their course structures and undertake more specialisation, or, as noted, where the Commonwealth, under its proposed new powers, seeks to rationalise course provision between institutions. The University of New South Wales Student Guild argues that these trends will increase the pressure to provide more realistic income support measures. Its submission explains that rent assistance is an essential element of student income support, and urges that it be introduced in a way similar to the scheme

61 Phillips Curran report, p.79

62 *ibid.*

63 *ibid.*, p.82

operating in New Zealand, where the benefit is not taxable and the subsidy payments based on the relative rental costs in particular locations. As the submission explains:

The cost of living in cities such as Sydney and Melbourne is much higher than the costs of living in cities such as Adelaide or Perth, and to compensate for this, the Rent Assistance scheme should be restructured in such a way that Rent Assistance provides recognition that the cost of living in these centres is more expensive. The 1997-1998 mean housing costs in Sydney or Melbourne (\$138 and \$117 per week respectively) are significantly greater than costs in Perth or Adelaide (\$106 and \$98 per week respectively), with costs significantly rising since that data was produced. It is increasingly difficult to find a two bedroom flat in any of the suburbs adjoining UNSW for under \$300 per week (and this is at the very bottom end of the market).⁶⁴

2.108 The committee acknowledges that for many students the primary barrier for entry to university is their inability to support themselves while studying at university. It notes that Austudy and Youth Allowance recipients are currently ineligible for rent assistance, and that many students are forced to work excessive hours to pay their living expenses. This also affects the quality of the educational experience of students whose hours of study are limited by their need to earn a living.

2.109 The committee agrees in general terms with arguments put in the UNSW Student Guild submission that living expenses for students ought to be regarded in budgetary terms as educational benefits rather than as welfare payments. It finds some merit in the suggestion that consideration be given to having student allowance policy and administration returned to the Department of Education, Science and Training.⁶⁵

Recommendation

That the anomaly whereby students under 25 are eligible for Rent Assistance while those over 25 are ineligible be removed by extending Rent Assistance to AUSTUDY recipients.

International cost comparisons

2.110 Some commentators, over the last few years, have made much of world ratings of universities, the relationship between funding and comparative quality, and where Australia might be situated in global league tables. The Vice-Chancellor of Melbourne University, as part of a campaign to reposition that institution, has claimed that there are no Australian universities in the top 100 universities in the world. The committee has no particular view on these comments, beyond questioning why this is considered important. To begin with, there is no global top 100 universities. Higher

64 Submission No. 342, University of New South Wales Student Guild, p. 12

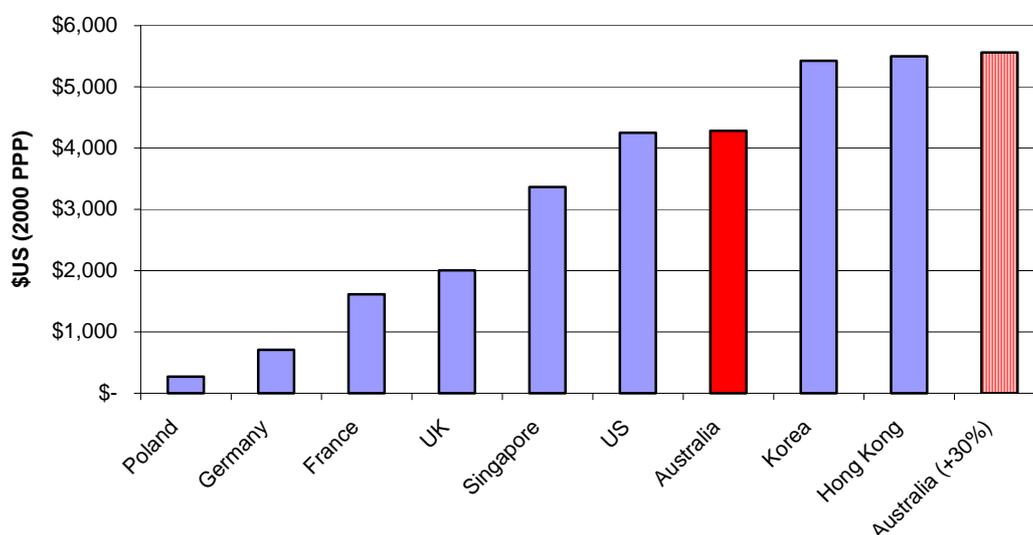
65 *ibid.*, p.7

education quality is measured on a department by department, or discipline by discipline basis, and Australia does well on this criteria. As one higher education scholar noted:

Australia commands 2 per cent of world GDP and 2 per cent of research output. It is not the dominant world power. It is a developed nation with areas of global strength. Australian universities can be global players. But unlike American universities, if Australian universities want to be world class they need first class public funding. In our system private money helps, but public investment is decisive.⁶⁶

2.111 Australia's minimum costs of tuition in higher education are already high in comparison to international institutions. With a 30 per cent increase in fees, Australians in Bands 1 and 2 HECS categories will pay more for low-cost and medium-cost courses than students in Britain, France, Singapore, the United States and New Zealand.⁶⁷ The following chart shows that, if the potential 30 per cent increase in fees as part of the Commonwealth Grants Scheme is allowed for, Australian students could be paying the equivalent of the highest fees in the world to attend a public university.

Comparative level of tuition, other fees and other educational expenses in public universities for a medium cost course⁶⁸



66 Professor Simon Marginson, 'Policy driven by a mirage', *The Age*, 8 August 2003, p. 8

67 Phillips Curran report, p.69

68 Source: International Comparative Higher Education Finance and Accessibility Project (www.gese.buffalo.edu/org/IntHigherEdFinance). Medium cost course include a HECS Band 2 for Australia – for other definitions refer to the source for the Table

2.112 The relatively high fees payable for a university education in Australia, compared to other countries, is directly related to the comparatively low level of public funding – again, compared to other similar countries. In 2000, Australia spent a total of 1.6 per cent of GDP on higher education, a figure which compares favourably with the OECD average of 1.3 per cent. However, this figure includes both public and private funding: Australia relies more heavily than all but three OECD countries on private sources of funding. Australia ranked 6th last out of 29 OECD countries on public investment in university education as a proportion of GDP.⁶⁹

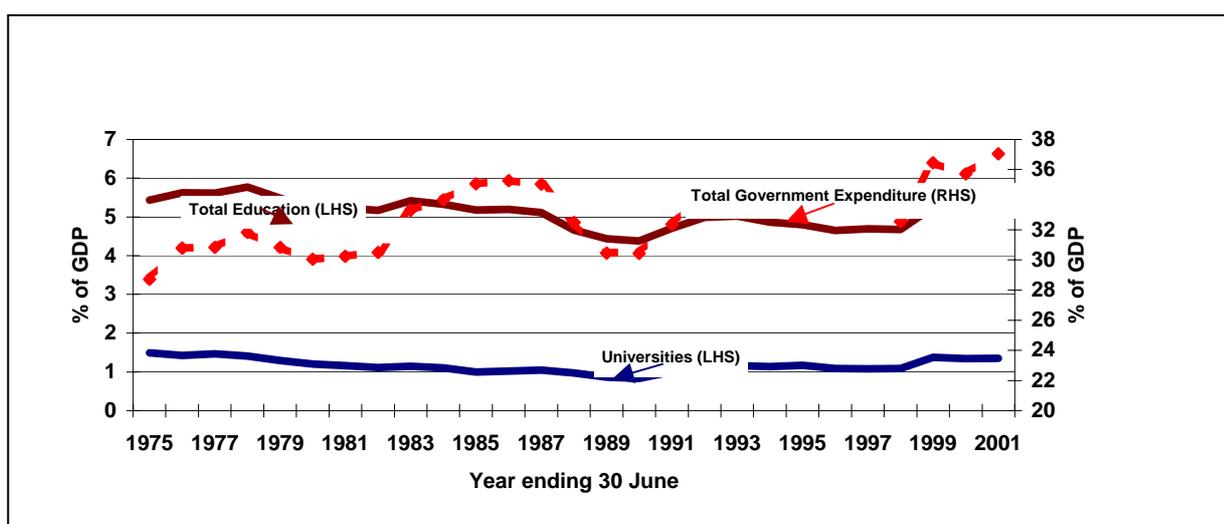


Figure Government Expenditures as % of GDP Australia 1974-75 to 2000-01

Equity issues

2.113 While the Phillips Curran report acknowledged that the *Backing Australia's Future* package offers 'substantial enhancements' to targeted equity programs it observed, crucially, that these were counterbalanced by measures in the package which could reduce or inhibit student access and participation. These counterbalancing factors include: (i) Fewer HECS-liable places per head of population; (ii) increased levels of debt aversion among disadvantaged groups because of increased fees; (iii) potential reduction in access due to the limits imposed on Learning Entitlements; (iv) highly competitive access to Commonwealth Scholarships, adverse interaction with income support schemes; and (v) no improvements in student income support schemes, despite widespread evidence of their deficiencies.⁷⁰

2.114 Until the 1950s, Australia's higher education system was clearly an elite system, in which a tiny proportion of the population participated. Since that time, various Liberal and Labor Government initiatives have taken it gradually along the path towards to a mass system – usually defined as a higher education system in

69 OECD *Education at a Glance*, 2003, table B2.1b, p. 208

70 Curran Phillips report, pp. 34

which over 40 per cent of adults participate at some time in their lives. Most recent figures indicate that almost half of all Australians can now expect to study at university during their lifetime. However, this evolutionary but profound shift has not led to equally improved opportunities for all sections of the population: the share of university enrolments for disadvantaged Australians has not improved since the 1990 release of *A Fair Chance for All*, which was the Commonwealth's Government's initial higher education equity strategy. On a per capita basis, significantly fewer people from lower socio-economic backgrounds gain entry to university than those from medium or higher socio-economic backgrounds. The Government might claim to have endowed its policy package with crucial measures designed to enhance equity. Unfortunately, though, the overall direction of changes to be wrought under the proposed legislation may lead to a gradual return to elitism, and to greatly increased stratification of higher education.

2.115 Higher tuition fees are, in fact, the centre-piece of the package. These will deter people from lower socio-economic backgrounds and from otherwise disadvantaged groups from seeking university education. Even in the more favourable environment of the current regulatory and financing regime, people from such groups are significantly less likely to go to university. There will be a point, at the individual and family level, where the price of higher education will be considered to exceed any likely private benefit, and this point will come sooner for certain kinds of individuals and families, than it will for others. As a result, much potential talent will be wasted.

2.116 Studies by the Australian Vice-Chancellors' Committee⁷¹ and the Commonwealth Department of Education, Science and Training⁷² have found that annual student expenditure exceeds income by about 21 per cent and that seven in ten students are now in paid employment (an increase of about 50 per cent since 1984).⁷³ The average number of hours worked (14.5 to 15) has trebled since 1984. Further, one in ten students take out a loan to support their studies. The loan take-up rate is higher for Indigenous students (21 per cent), sole care givers (20 per cent) and other disadvantaged groups.⁷⁴

2.117 While it is true that HECS repayments are income-contingent and do not bear a real interest rate, it is also true that 'debt aversion' influences the thinking of people from lower socio-economic groups more so than of middle and high socio-economic groups. The following submissions from students at the University of Sydney, the first studying law, and the second enrolled in medicine, both the children of low-income parents, brings to life the dilemma:

71 Long, M. and Hayden, M., *Paying their way: A survey of Australian undergraduate university student finances, 2000*, AVCC, 2001

72 McInnis, C. and Hartley, R., *Managing study and work: the impact of full-time study and paid work on the undergraduate experience in Australian universities*, DEST, 2002

73 Phillips Curran report, p. 64

74 *ibid.*, p. 66

Before the budget came out, I didn't really think about how much my degrees would cost me, but with all this attention drawn to the issue, it frightens me to think about the huge debt I will have before I have even commenced full-time work. While the fees would never discourage me from attending university, they have certainly discouraged me from lower wage occupations requiring a law degree. ...While I get Youth Allowance, and while I also work about 25 hrs a week in addition to my studies, I will not be able to move out of home until I finish my degree, which will be when I am 25 at the earliest. Not only is this difficult for my parents, it seems absurd to me that I should have to live at home for so long just because I choose to study rather than commence full-time work.⁷⁵

Had the proposed reform already been in place last year, I would have not enrolled in medicine because I simply would not be able to afford it. This is true for the vast majority of students. ...And how will this impact on the growing class differences in Australia? To limit education to the upper class means yet another privilege to breed discontent; and can the government really afford to lose so much popularity? The lay are numerous, and they vote. My course is going to continue for three more years and with the pittance I receive from Centrelink, the stresses placed on my family (this being [a] single mother) are slowly leading to its collapse. A degree as demanding as this requires all of my time, and I have no opportunity to earn extra money. Several of my friends are in a similar situation, and some are considering dropping out because their financial situation is in decline.⁷⁶

2.118 Disadvantaged groups rely on adequate student income support and scholarships but since 1996 the Commonwealth Government, has tightened access to such financial assistance. It has increased the age at which a student is eligible to receive payment as an independent and introduced an assets test on students' family of origin, while at the same time maintaining a family income test that excludes all but very low-income families. It has also announced the cessation of the Student Financial Supplement Scheme. The SFSS allowed students to borrow money for study expenses. The fact that so many students wrote to the Committee to lobby for the retention of such a flawed scheme is more an indication of the acute need for financial support, than an endorsement of this flawed lending scheme. Before such life-lines are removed, replacement support must be found.

2.119 Youth Allowance and Austudy are the most common forms of student financial assistance and the AVCC study by Long and Hayden found that both forms of support encourage students to enroll and remain at university. However, the study also reported criticisms of the schemes, mainly relating to their inadequate coverage of living and educational costs.⁷⁷ Other complaints related to the in-built disincentive

75 Submission No. 101, Susannah Fricke, Westleigh, NSW

76 Submission No. 102, Alex Yartsev, North Strathfield, NSW

77 Cited in Phillips Curran report, p. 71

in these schemes for the recipient to work more than one day a week and the lack of rent assistance for Austudy recipients.

Recommendation

That the unreasonable burden on families of supporting children well into adulthood be recognised and that the age of independence for students on Youth Allowance be reduced to 23.

The committee notes that the Australian Greens and Democrats support the age of independence being 18.

2.120 There is no doubt that some students face many financial and practical life challenges in pursuit of a university degree. The committee received many submissions from individuals describing what life as a student is like for them. For example, Sam Orr, of Brisbane, submitted that;

...throughout my degree I have had to take on additional work to supplement my income just to survive. This has without a doubt affected my capacity to concentrate on my studies. I am making a submission because I feel that I have been one of the many students that have genuinely struggled under the current system of deferred HECS and Youth Allowance. Further I feel that if HECS payments are increased and scholarships are to effect the capacity to receive other government assistance then there will be many genuinely worthy students turned away from university. What particularly bothers me is the capacity of someone with money to enter into a course on lower academic levels....I can genuinely say that if HECS payment were increased at the institution I am studying I probably would not have chosen to study. (I would have probably ended up at the meat works)....I do not pretend to be hard done by nor argue that I am a special case. I know many others within university who have had to struggle in the same way.⁷⁸

2.121 Other submissions provide insights into the attitudes of many potential students, who might well be deterred from higher education by the prospect of several years of perceived or real 'poverty', when their incomes will be significantly lower than those of their friends who have decided instead to enter the paid workforce. Community expectations about the level of income essential to a decent life have changed over time and students are no different from anyone else. Real incomes of students who rely on Commonwealth financial support have dropped significantly since the introduction of the predecessor to current schemes, Tertiary Education Allowance Scheme (TEAS), in 1974. The committee believes that, in that the Government's policy package fails to address this issue, the lack of adequate financial assistance for students could result in a decline in university enrolments over time.

78 Submission No. 322, Sam Orr, Brisbane, Queensland

Recommendation

While the committee does not believe these bills deserve a second reading, should the Senate consent to give the bill a second reading, then substantial amendment would be required to meet even the stated policy objectives of the Government. The committee stage of the bill should be deferred until 2004, to allow sufficient time for appropriate consideration of an extensively redrafted bill.

2.122 A student at Charles Sturt University in Wagga Wagga described how he lived on a \$200 a fortnight allowance from his parents, being ineligible for Youth Allowance. A part-time job was a risky proposition as he needed all his time to study. His allowance paid for accommodation and food, but nothing else. Hard as this was, he believed there was worse to come.

If these reforms are allowed to be passed through the channels of parliament, students will finish their degrees and continue in this fashion of living. Workers will be lumped with debt that will render them unable to acquire property (which is just great for a country). The restrictions placed on graduates due to their increased debt will remove the choices associated with financial freedom such as having children or building a house.⁷⁹

2.123 The adverse social consequences of debt, such as deferment of decisions relating to having children or purchasing homes, and postponing further higher education, is raised in the Phillips Curran report and several submissions to the committee. Ben Spies-Butcher of Darlington, NSW submits that:

I received a small scholarship during my undergraduate degree. I initially used this to pay for my HECS fees (which took up the whole scholarship), but later deferred my fees so I could use the money for living expenses (I have a debt of about \$15,000). I am now exempt from HECS fees unless my PhD requires more than 4 full time years to complete. However, I have concerns about the possibility of my own further study, and particularly that of my friends and cousins who are about to commence university. My partner currently has a debt of \$30,000 and many of my friends will shortly have a debt of that size, having completed one undergraduate degree before studying graduate law. Other friends have insisted on paying their fees up front, usually preventing them from leaving home. Even with the current level of fees, some of my friends are now reconsidering undertaking further study. I am particularly concerned about the dynamic created by offering students a discount for paying upfront. Firstly, this means many people do pay upfront, preventing them from leaving home or saving for their own home. Secondly, many, including myself, have saved money in order to be able to pay off their loan, so that we can get the lesser discount. That means we save enough for a car or even a house deposit and lose it all on repaying

79 Submission No. 293, Stephen Boxwell, Wagga Wagga, NSW

debt. This will mean I will stay in the private rental market for another five years.⁸⁰

2.124 The committee notes in passing that this extract illustrates the reluctant attitude of many students – regarded as ‘irrational’ by economists – toward the idea of incurring a HECS debt. Under current HECS arrangements it is generally advantageous, from a strictly economic perspective, for a student to defer payment of the HECS charge and to pay gradually, through the taxation system. This is not, however, how a significant proportion of non-economists perceive their options. If students’ projected debts become higher, as the Government would have it, this ‘debt-avoidance’ effect will worsen.

2.125 There are six equity groups recognized as disadvantaged in their access to higher education. These are: (i) Indigenous Australians, (ii) people from non-English speaking backgrounds, (iii) people with disabilities, (iv) people from rural and isolated areas, (v) women in non-traditional areas of study and (vi) people from socio-economically disadvantaged backgrounds. The following table reveals that there has been some improvement in the position of Indigenous students and women. The latter, however, are still a long way from their ‘reference value’. Students from non-English-speaking backgrounds, students of low socio-economic status, and students from rural and isolated areas are declining as a proportion of all domestic students.

Table: Proportion of Domestic Students by Equity Group, 1991-2001

<i>Equity group</i>	<i>1991</i>	<i>2001</i>	<i>Reference Value (a)</i>
Students from non English-Speaking backgrounds	4.1	3.6	4.8
Students with a disability	2.0	3.1	-
Women in non-traditional area	15.9	21.7	50.0
Indigenous students	0.9	1.2	1.7
Low socio-economic status	14.7	14.6	25.0
Students from rural areas	18.5	17.7	24.3
Students from isolated areas	1.9	1.4	4.5

Source: *Higher Education at the Crossroads*.

(a) The percentage of the general population who are in each of the equity groups. Note these data are from 1991 (rural and isolated) and 1996 not 2001. Preliminary assessment of 2001 census data suggests that the reference point for students from rural and isolated areas and from a non-English-speaking background has reduced since 1991 and 1996.

Indigenous students

2.126 Indigenous Australians remain the most disadvantaged section of the Australian population. Evidence of this incontestable assertion is found in statistical data relating to unemployment, income levels, life expectancy and morbidity. Addressing the problems of Indigenous education generally raises serious equity issues, and the aspirations of Indigenous people wanting access to higher education present a special challenge. The submission received from Batchelor Institute of Indigenous Tertiary Education explains the specific nature of program needs for Indigenous students in higher education.

To be effective, not only the programs but associated support provisions such as Abstudy must provide realistically for the fact that, for the most part, more is required of this target student group than ‘mainstream’ students to succeed in education and training programs. They must not only acquire the required underpinning knowledge of the program, but the broad technical context within which that knowledge is embedded, the English language with which that know-ledge is articulated and the broad social context within which the language and the knowledge is framed—in fact, they must engage and learn within a completely different value system. Additional accomplishments require additional resources, including time and money.⁸¹

2.127 The *Backing Australia’s Future* package increases the Indigenous Support Fund (ISF), creates an Indigenous Higher Education Advisory Council, allocates five scholarships per year for Aboriginal and Torres Strait Islander academic and general staff, and provides for new Commonwealth Learning Scholarships for full-time undergraduates from low socio-economic backgrounds and/or Indigenous backgrounds. However, as the National Indigenous Postgraduate Association Aboriginal Corporation (NIPAAC) points out, this targeted financial assistance is ‘minimal’ and disappointing. Most witnesses when questioned about it regard this initiative as ‘tokenism’.⁸² The package has not taken up NIPAAC’s recommendations to the *Crossroads’ Review*, relating to a more culturally appropriate education system. These included provision for paid cultural supervisors, and the introduction of compulsory Aboriginal and Torres Strait Islander studies courses and mentoring programs. NIPAAC’s ‘bottom line’ is that the additional incentives for Indigenous education ‘will not compensate for an increase in education costs brought about by BAF.’⁸³ Indigenous students have also not been well served by the government’s changes to Abstudy since 2000, which has resulted in a drop in participation.

2.128 The Government has also discontinued the Merit-based Equity Scholarship Scheme, which granted HECS exemption to some Indigenous students. Enrolment

81 Submission No. 448, Batchelor Institute of Indigenous Tertiary Education, p. 3

82 Submission No. 446, National Indigenous Postgraduate Association Aboriginal Corporation, p. 1

83 *ibid.*, p. 2

levels for Indigenous students increased when the scheme was introduced in 1997 but a notable decline has been evident since its discontinuation.⁸⁴ The proposed five-year Learning Entitlement is criticised by Batchelor Institute for its ‘one-size-fits-all’ approach. Factors such as poor health and the lack of infrastructure in many remote communities increase the likelihood of forced withdrawals. The Learning Entitlement also ignores the fact that many Indigenous students have to tackle the time-consuming, complex task of bridging a linguistic and cultural divide when at university. The Batchelor submission argues that:

If HECS-HELP is not to be a mechanism for exclusion of potential students, a more realistic matching of requirements and target groups is necessary. Living allowances and other practical incentives – including scholarships and cadetships – which address the actual deterrents to continuing study would improve the retention rate of students who, often, are long distances from home in the midst of a foreign environment. Also needed are appropriate and strong study and pastoral support services.⁸⁵

2.129 Educational disadvantage from an early age is the main barrier to the entry of Indigenous people to university. Failure of the vast majority of Indigenous young people to achieve university entry is not a matter which universities can easily address. They are, however, working with schools to increase Indigenous participation through the National Indigenous Higher Education Network Committee. The AVCC has argued that the effectiveness of this program would improve with much more generous funding. It has also called on the Government to make enabling courses to university HECS free.⁸⁶ The committee endorses proposals to fund programs enabling Indigenous students to make the transition to university.

Recommendation

The committee recommends the establishment of an Indigenous Higher Education Advisory committee to develop a strategy for increasing indigenous participation in higher education.

NESB students

2.130 People from non-English speaking backgrounds (NESB) receive no separate consideration in this package. Yet their interests are served neither by the likelihood of higher student fees, nor by the expansion of full-fee paying places. The five year ‘learning entitlement’ particularly works against their interests. This point has been well-argued in the submission of the Education Sub-Committee of the Ethnic Communities’ Council of New South Wales (ECCNSW). In universities where fees are increased to the maximum 30 per cent allowed, there will be some NESB students

84 Phillips Curran report, p. 72

85 Batchelor Institute of Indigenous Tertiary Education, op. cit., p. 4

86 Submission No. 417, AVCC, Attachment: AVCC Submission to the Higher Education Review, 2002, pp.4041

unable to commit to higher education due to the increased costs. The submission argues that:

The imposition of students' costs such as fees, texts and other educational resources during study periods is already high. Additional accumulation of debt amassed by students is a massive financial burden after leaving university, especially for students and families from NESB, who are not guaranteed high paying jobs after graduation; have other financial commitments later in life and have family expectations to be "the breakers" of the cycle of debt and assist financially with other family members.⁸⁷

2.131 The expansion of full-fee paying places works against NESB students because the amount necessary to secure a position in a desired program of study will be financially far out of reach for many of these students, therefore restricting their access to higher education.⁸⁸

2.132 The ECCNSW opposes the Learning Entitlement because it fails 'to account for the differing degrees of educational development and family commitment in NESB communities'. It says:

Some... students from NESB are likely to have experienced massive upheaval and dramatic disruption in their lives. Many may have come from a war zone and/or severe poverty, where educational and employment opportunities have been curtailed, limited or not available at all. Additionally, on arrival in Australia, people from NESB struggle to become familiar with a new culture; they may have poor levels of English language proficiency and educational skills; and they lack family and community support on arrival and difficulty in accessing services. Students from NESB communities have broader family and community commitments and responsibilities than mainstream Australian society. They have individual obligations to ensure every family member is cared for and supported within an extended family structure, which includes financial support for all members. At times, other commitments are secondary in importance, as the priority is ensuring these duties are met and further accumulation of debt impacts on the whole family unit.⁸⁹

Students with disabilities

2.133 The NUS submission addresses the question of the potential impact of the package upon people with disabilities. It acknowledges the package's \$1.1 million per annum for three years from 2005, for the Students with Disabilities Program, but it also points to the government's wider decision to cut the Pensioner Education Supplement (PES). The PES is an allowance for students in receipt of a pension,

87 Submission No. 220, Ethnic Communities' Council of NSW Inc. Education Sub-Committee, Waterloo, NSW, p. 1

88 *ibid.*, p.2

89 *ibid.*

including the Disability Support Pension, and it recognises the additional costs faced by these students. The 2003-2004 Commonwealth Budget limited the PES payments to periods of actual study rather than full year funding. The reduction saves the government more than \$39 million over four years, as NUS claims, 'at the direct expense of individual students with disabilities, [and] in stark contrast to the \$3.3 million to be paid, not to students but to institutions, to encourage participation from this same group'.⁹⁰

2.134 The committee notes that there is no indication in the legislation that the Government has taken note of this committee's recommendations in its 2002 report in regard to students with disabilities studying at universities.

Students from low SES backgrounds and rural and isolated areas

2.135 Associate Professor Richard James' submission to the Crossroads' Review presented research evidence that established that students from rural and isolated backgrounds are under-represented in higher education. He estimated that 'for every ten urban people on a per capita basis who attend university, roughly six rural or isolated Australians will do so'.⁹¹ Professor James sees dual negative consequences arising from any increases to HECS fees. He says:

1. Higher fees would be a significant deterrent for people from lower socio-economic backgrounds and rural/isolated areas (regardless of whether or not deferred payment is an option, since there is some evidence of debt-aversion among these groups). An overall downturn in participation could be anticipated.
2. The present social polarisation across universities would be intensified as prospective students from lower socio-economic and rural and isolated backgrounds are deterred or excluded by the dual effect of highly competitive entry requirements and the (presumably) higher fees sought by the universities/courses for which there is high demand.⁹²

2.136 The committee believes that the Government's planned regional loading, for campuses beyond a certain distance outside major cities, as noted elsewhere in this report, will prove inadequate to provide sufficient support to rural institutions. The direction taken by the BAF package – rationalising and reducing course offerings and, effectively, undermining the competitiveness of regional universities (especially in terms of quality) will worsen, rather than improve, the situation of students from rural and isolated areas.

90 Submission No. 411, National Union of Students, p. 30

91 Professor Richard James, Centre for the Study of Higher Education, Melbourne University, submission to the Crossroads Review of Higher Education, 2002, p. 1

92 *ibid.*, p. 2

Recommendation

That the regional loading be extended to include the University of Newcastle and universities serving outer metropolitan regions such as the University of Western Sydney and the Victoria University of Technology.

Female students

2.137 Women also stand to lose from the levels of debt that will increase when university fees are partially deregulated. The NUS submission draws on research by Professor Bruce Chapman when it claims that, by the age of 65, 93 per cent of men will have paid off their HECS debt (under current projections) but only 77 per cent of women will have paid their debts.⁹³ From the perspective of economic theory, this means that women will end up paying *less* than men, and benefiting from an extended period of Commonwealth-subsidised implicit interest subsidy. However, these figures are also indicative of the comparative debt burden borne by women. With lower lifetime incomes, the HECS debt is more financially significant to women. Women spend more time outside the paid workforce than men, and the average starting salary for new female graduates is lower than that of their male counterparts. Women face extra costs in managing university, employment and family commitments. As women remain the primary care givers in society, these extra costs often relate to child care.

2.138 The NUS supplementary submission highlights the serious childcare problems for women who are studying at university. There is a lack of available childcare places on campuses and childcare is expensive.⁹⁴ The Melbourne University Student Association submission to the Senate Committee Affairs Committee Inquiry into Poverty and Financial Hardship (January 2003) revealed how a single parent receiving Youth Allowance or Austudy with one child receives \$395.30 a fortnight, or \$331.30 if they are in a relationship, but can face childcare costs as high as \$195 a week. Even with Childcare Benefit and a maximum rate of other assistance, childcare can cost the student 20 per cent of their weekly income.⁹⁵ The Student Association also pointed to the inadequacy of the capping of work-related childcare assistance at 50 hours per week, as any combination of work, lectures, commuting and study time requires more than 50 hours a week.⁹⁶ NUS is right when it concludes that:

Faced with mounting debt and the prospect of a lower income, women will be forced to make difficult decisions about where and what they can afford to study.⁹⁷

93 Bruce Chapman, *The Australian Income-Contingent University Charge System*, ANU, Centre for Economic Policy Research, June 1996, p. 3

94 Submission No. 411A, NUS Supplementary submission, p. 10

95 Melbourne University Student Association submission to the Senate Committee Affairs Committee Inquiry into Poverty and Financial Hardship, January 2003, p. 19

96 NUS Supplementary submission, loc. cit.

97 Submission No. 411, National Union of Students, p. 29

2.139 The package makes it more difficult for women who may wish to pursue postgraduate studies. The proposed charging of a real interest rate on top of fully deregulated coursework fees will restrict access to postgraduate courses for lower socio-economic and other disadvantaged groups. Indeed, it is likely that the increased rate of take up of postgraduate courses that was apparent after the introduction of PELS will be slowed for everyone, not just the disadvantaged, when the new FEE-HELP scheme comes into effect for postgraduate students. Women will be doubly disadvantaged. Postgraduate qualifications are necessary for professions in which specialisation is important. Nursing is an example of a profession where women are concentrated and where various forms of postgraduate specialisation are typical in the career path. A problem arises when, as in the case of midwifery, the extra study is not reflected in significantly higher rates of pay.⁹⁸ On top of this, the starting salaries of women postgraduates tend to be less than those of male postgraduates. As NUS points out:

A woman places herself at an even greater income disadvantage simply by furthering her qualification with postgraduate work. And she has a postgraduate loan on top of her HECS debt to show for it, one which will now attract an interest rate on top of inflation.⁹⁹

Learning Entitlements

2.140 The proposed Learning Entitlement has attracted considerable criticism in a number of submissions, and appears to have found no support in almost any submission. The core problem identified by its critics is its inflexibility, which is interesting because ‘flexibility’ is the characteristic virtue that the Government claims for all its higher education policies. The inflexibility in this case is the five-year limit to a student’s claim for Commonwealth support.

2.141 For instance, the submission from the University of Sydney described the learning entitlement as ‘unduly rigid, potentially preventing course flexibility’ and of particular concern to postgraduate students.¹⁰⁰

2.142 Currently, a large percentage of students commencing university courses have already spent some time in higher education. In 2002, 22 per cent of students commencing a course at Bachelor level or below had partially completed or completed prior higher education courses.¹⁰¹ The Phillips Curran report concluded that the scheme might introduce some inequities into the system. It said:

For high performing students who are clear about their career choice and gain immediate entry to their course of choice, the Learning Entitlement may

98 NUS Supplementary submission, op. cit.

99 *ibid.*, p. 11

100 Submission No. 105, The University of Sydney, p. 9

101 Phillips Curran report, p. 76

not have any detrimental impact on access to higher education. However, for students who take some time to find their niche, have to discontinue studies for a range of personal reasons, and/or confront challenges in progressing through their courses, the Learning Entitlement scheme may act to restrict their access in the longer term.¹⁰²

2.143 Such restriction on access ‘will be exaggerated for disadvantaged students’.¹⁰³ Course completion rates are much lower for Indigenous, low socio-economic students and students living in rural and isolated areas. The committee concurs with the Phillips Curran report when it concludes that ‘disadvantaged Australians will be more likely to significantly erode their Learning Entitlement and build a HECS debt without receiving the potential benefits of a graduate level income’.¹⁰⁴ Disadvantaged students will also be more likely to use up their entitlement and will have to face the burden of fees if they want to continue. It is likely that the Learning Entitlement will result in a larger proportion of disadvantaged students dropping out of university.

2.144 This view is expanded in evidence to the committee from the Student Financial Advisors Network, whose submission took up the cause of students compelled to withdraw from their studies before completion. The submission explained:

There are various reasons why students may require more than five years to complete their studies. Burdensome family expectations, poor guidance from career counsellors, insufficient maturity at school leaving age and any number of personal upheavals for reasons beyond the control of the individual have, for numerous students, routinely resulted in deferral or extension of years devoted to tertiary study. These are all typical occurrences in the lives of modern young people. And yet, under a “Learning Entitlements Scheme” these people may have “the rug pulled out from under them” at a crucial time when they are busily devoting themselves to the closing stages of their courses. The Minister insists that “Learning Entitlement appeal mechanisms...where circumstances prevent students from completing their studies, will be the responsibility of institutions.” But can the Minister guarantee that all institutions, straining under the relentless financial pressure of contingent funding, will be willing to invest appropriate resources in a processes that could prove inimical to their fiscal agendas? The unanticipated imposition of full fees for the final year of a degree would be nothing short of catastrophic for most students. Conversely, the concept of an “entitlement” may induce some students to unnecessarily augment their studies so as to utilize the full five-year time

102 *ibid.*, p. 78

103 *ibid.*

104 *ibid.*

frame. Increased throughput, if achieved at all, may come at a cost (in terms of short circuited academic paths) that may outweigh the benefits.¹⁰⁵

2.145 Finally, there are a number of unanswered questions in relation to learning entitlements, as there are about almost every aspect of the bill before the Senate. As one submission pointed out, it is unclear how the time restrictions will be determined, and will the timeframe count from the moment a student is enrolled regardless of whether or not they are attending classes. It is not at all clear what exemptions, if any will apply or in what circumstances exemption may be applied for. The draft guidelines issued on 3 November are entirely silent on process and criteria for the extension of learning entitlements. Hopefully these questions will be answered in time in later drafts of the guidelines. This of no use to stakeholders making an assessment of the legislation now. As with so many other substantial matters governed by the legislation it is unacceptable that the detail is not available for scrutiny.

Recommendation

The committee recommends that Part 3-1 of the bill dealing with learning entitlements be withdrawn on the grounds of hardship to students and its likely adverse effects on completion rates.

Conclusion

2.146 The detailed discussion provided in this chapter is essential to an understanding of the financial architecture of the package and, crucially, to highlighting its contradictions and inherent policy tensions. By drawing these problems out, the committee hopes that it has shown why BAF is unsustainable financially. Inherent to it are measures that will undermine the financial stability of some – perhaps many - institutions. By failing to face squarely the real problem – the absence of an indexation mechanism for Commonwealth grants – the policy package, and the legislation, turn instead to the only possible source of funding growth: students themselves. The imperative to find more funds, simply to cover rising costs and salary increases, will drive student contributions ever higher. The package itself sets no firm limits on this upward pressure on fees, either through full-fee arrangements or for ‘Commonwealth supported’ (HECS-related) students.

By failing to build in an indexation mechanism, the Government plans to effectively freeze its own financial contribution to public universities. This is not only short-sighted policy: it is profoundly regressive policy. The inevitable outcome will be a higher education system where the lack of financial sustainability will drive costs too high for the majority of Australians. The gains of the great policy advances, which have brought us a mass system of higher education with its social and economic benefits, will be reversed.

105 Submission No. 474, Student Financial Advisors Network, p. 11

Chapter Three

University governance and management issues

It is very strange that a Liberal Government prefers 'bureaucratic central planning' with its attendant rigidities over a flexible, more devolved, mechanism which would be more responsive to market forces and student demand.

Professor Gavin Brown, Vice-Chancellor, University of Sydney.

1.1 This chapter deals with elements of the *Backing Australia's Future* policy on governance and the interface between the Government and the universities at both the ministerial and the administrative levels. It also describes the effect of policy transformation into legislation and the reaction of higher education stakeholders.

1.2 One of the most disturbing and completely unforeseen provisions in the Higher Education Support Bill is the extent of centralised control over universities which the Minister has proposed to operate through the Department of Education, Science and Training. As noted in the introductory chapter, there is some irony in the observation of an inverse relationship between Commonwealth funding and micro management of university operations: as the funding is reduced, the supervisory intrusion increases. The reasons for this will become evident through this chapter.

1.3 The extent to which the vice-chancellors were caught by surprise at this development was most forcefully enunciated in evidence to the committee from Professor Alan Gilbert, Vice-Chancellor of the University of Melbourne, and most outspokenly, a strong supporter of the deregulatory policy thrust which he had erroneously believed to be central to Government policy. His sense of betrayal is well captured in these comments:

Because I regard the package at a policy level as a once in a lifetime opportunity for Australian higher education, it is with the deepest regret and with considerable astonishment that I have witnessed the gradual emergence of the guidelines that are being developed by DEST to implement the provisions of the Higher Education Support Bill 2003 should it become law. Unless there is some rethinking of these various guidelines—not all of which we have seen of course—which will impose a degree of bureaucratic complexity and micromanagement on Australian universities that is without precedent, the essential dynamism of the reforms will be lost. The interventionist regime that would be created by the IR guidelines is but a single example of across-the-board bureaucracy run riot. By not exercising enough control over the development of these guidelines I believe the government is in danger of losing control of its own agenda. It was launched with the minister assuring Australia's universities that the package would reduce the amount of red tape bedevilling the system. If that is, as I hope

and believe, still the government's aim, then the higher education bureaucracy has let it down completely.¹

1.4 Professor Gilbert is understandably aggrieved at 'the shifting of the goal posts', to use Professor Deryck Schreuder's expression, and the committee can only speculate as to how the situation came about that the principal supporters of the legislation, the vice-chancellors, were so wrong-footed. It can only speculate also on why the Government should choose to put off-side those who are its principal supporters. There is an inference in Professor Gilbert's evidence that the Minister has allowed DEST to run the legislative agenda without sufficient ministerial direction. If this is the case, the Government is paying the price of its ineptitude, with unfortunate consequences for the universities, as Professor Gilbert has argued.

1.5 Professor Gilbert's comments followed similar ideas expressed by the Vice-Chancellor of the University of Tasmania, Professor Daryl Le Grew, in one of those appearances before the committee which illustrated how much stronger and more focused opposition to parts of the bill became once its details were known. Professor Le Grew told the committee of the care taken by the university in shaping course offerings to meet state and national needs, all the while maintaining the closest links with business, the professions and government agencies. The vice-chancellor stated that the university expected to negotiate with the Government over courses and profiles, and he gave no indication to the committee that there had so far been any difficulties arising from this. But Professor Le Grew went on to state:

What is a problem is the way in which the legislation is shaped. It gives potential for an overemphasis on control and for intrusion on the integrity and autonomy of the university. Remember, we have 1,000 years of history built on the charter of Bologna—something that all governments in the developed world have complied with—which guarantees universities internationally a sense of autonomy. We are reasonable about the way in which all of these things can be shaped in negotiation between the government and the university; we recognise the political realities. But there are limits, and we think that what is built into the legislation in terms of developing the potential to control us down to the course level is going too far. We have no problem with a negotiation about broad profile and direction, but we cannot accept absolute control at the course level.²

1.6 It is hard to imagine that the Government has been much influenced in its policy making by the Charter of Bologna. That is one interesting aspect of the problem. While vice-chancellors head institutions that are dedicated to the furtherance of knowledge and reason, these are not always valued by those who make public policy. Ramming square pegs into round holes is a recognised political accomplishment.

1 Professor Alan Gilbert, *Hansard*, Melbourne, 2 October 2003, p. 3

2 Professor Daryl Le Grew, *Hansard*, Hobart, 26 September 2003, p. 3

The sub-text of micromanagement policy

1.7 In its governance and management issues paper the Government committed itself to reducing bureaucratic intervention in the management of universities. It stated that the extent to which this was possible depended on the confidence that it had, first, in university governance arrangements, and second in regard to whether agreements can be reached on outcome measures to replace unnecessary emphasis on ‘process and inputs’.³ The committee observes, that in the first of these conditions to do with university governance (which it deals with in a later section in this chapter), there is no connection that can be identified in the Higher Education Support Bill between the governance protocols and the reduction of red tape. As to the second condition, the bill sets out in explicit detail the increased and onerous obligations on university and makes no mention of how the arrangements legislated for may be altered by negotiation. The statement of Government policy in the issues paper has been shown to be both fatuous and irrelevant.

1.8 Professor Gavin Brown, one of the majority of vice-chancellors disappointed with the translation of *Backing Australia’s Future* into legislation, described the potential of the legislation to frustrate the aspirational outcomes that should arise from the making of good higher education policy. As his submission states:

Inasmuch as the intent of the package is to foster diversity of mission and to increase opportunities for universities to improve the quality and range of their activities, we endorse that approach, but the reality, translated through bureaucratic prescription and complexity, could easily become the opposite. For each of the measures in the package, the touchstone should be ‘Does this improve flexibility, does it empower institutions to improve their performance, does it enrich the learning environment for students and does it make local policy-setting and management simpler and more effective?’ In too many cases, the rules and implementation are either too clumsy and restrictive or mysterious and non-transparent. Good intentions will produce only wasted opportunities if Dr Nelson’s commitment to reduce red tape cannot be honoured.⁴

1.9 What appears remarkable to the committee is the detail in which the extent of micromanagement is explicitly stated in the legislation. If parts of the bill read like a standard public service contract, it is only because that is what it is intended to be, albeit in ‘model contract’ form. DEST officials were asked by committee members why the word ‘university’ appeared so rarely in the text of the bill. The response was that not all institutes of higher education were universities, and that the use of the more generic term ‘higher education provider’ was much to be preferred. What they might have explained is that the use of the latter term is much more appropriate given the direction in which government policy is moving. The Government seeks to redefine the nature of the relationship between the government and universities.

3 *Meeting the Challenges: The Governance and Management of Universities, Issues Paper*, DEST, August 2002

4 Submission No. 105, The University of Sydney, p. 3

1.10 Universities were once funded on the basis of their being within a sector of public education and for their contribution to the prosperity, welfare and advancement of the nation. The radically changed attitudes over the past six years have seen a diminution of Commonwealth grants to universities, and this is planned to accelerate. The terminology of Government engagement works along the lines of the ‘purchaser-provider’ model of funding. Grants formerly made on the basis of trust now come in the form of purchase orders with more conditions attached. The committee gains the impression that universities, being institutions of wisdom and learning rather than of cynicism and cunning, have not yet accustomed themselves to their changing relations with government.

1.11 This may change when the Government takes the next logical step of purchasing educational services from institutions of higher learning which are currently outside the ring of properly established universities. There are 36 universities and a handful of small and specialised institutes currently receiving funding. These are listed as Table A providers at clause 16-15 of the bill. There may be no good reason, by some lights, why services should not eventually be purchased from institutions not currently listed on Table A, currently two private universities and another handful of mainly theological or religious-based institutions, some currently eligible to enrol PELS recipients. Clause 16-25 gives very wide powers to the Minister to approve ‘a body corporate’ as a higher education provider. It is more than likely that, in the case of many of these institutions, there would be minimal objection to micro-management from DEST if their consolation was an income stream from HECS paying students.

1.12 The committee notes that the Council of Private Higher Education has called in its submission to the inquiry for the extension of targeted HECS-liable places to its member institutes, where they offer the best means of achieving particular public policy objectives.⁵ It does not take too much imagination to see that the micro-management arrangements, combined with the more active provision for ministerial discretion will eventually see private higher education institutions (unlikely to be accepted as ‘universities’) receive Commonwealth funding on the same basis as universities.

Recommendation

That all clauses in Division 22 of the bill be redrawn in recognition of the operations of universities as public institutions.

Funding agreements: ministerial discretion and micro-management

1.13 Under the bill universities will be under intense pressure maintain rigorous surveillance over their enrolment numbers and course categories. A brief description

5 Submission No. 440, Council of Private Higher Education, p. 1

of some of the provisions reveals what vice-chancellors are describing as outrageous intrusions into areas of student administration.

Guidelines and micro-management

1.14 The committee has identified the following clauses of the Higher Education Funding Bill and provides some comment on them. The following points set out, in very detailed form, would normally not be required in legislation relating to established universities. The Government obviously believes that a tight rein will need to be exercised over newer and lesser institutions which are yet to be identified as private providers. Established public universities should not be subject to such intensive legislation. The following clauses are defective and/or likely to cause concern in operation:

- Clause 13–5 provides for Higher Education Provider Guidelines (to be disallowable instruments) issued by the Minister from time to time and which will detail ‘quality and accountability requirements’ of institutions. Drafts of the first set of these Guidelines (apart from IR guidelines) were released on November 3, 2003. Other guidelines will not be available, in some cases, for years, presumably when they are required. There is some ambiguity about the use of Guidelines in the case of this legislation. DEST advised the committee that the disallowance of Guidelines would not necessarily stop the implementation of arrangements which are provided for in the Guidelines as there was considered to be sufficient detail in the bill to guide administrative arrangements⁶. The question then arises, why is it necessary to make Guidelines at all. This may result in some interesting correspondence between the Minister and the Senate Committee on Regulations and Ordinances.
- 16 – 1 This clause states that a higher education provider is any corporate body approved to receive grants or whose students can receive scholarships or loans under the Act. The word ‘university’ is rarely used in the bill. This new catch-all terminology has two main effects:

It emphasises a ‘purchaser-provider’ relationship between the Government as buying agency and institution as supplying agency, with the purchaser defining what it will (and will not) buy and the conditions under which it is prepared to buy.

It avoids distinguishing universities as having particular academic characteristics, and having statutory identity, or traditions of autonomy, and having characteristics which, in the public mind, distinguish them from commercial enterprises.

Hence, the framework of the entire legislation is shaped by the need to protect Government purchasers and student consumers in a deregulated environment where private providers operate.

6 Mr Bill Burmester, *Hansard*, Canberra, 17 October 2003, pp. 11012

- Clause 16–15 Table A providers (those institutions currently receiving general purpose funding under HEFA) have a particular status under the HEFA Act. They are deemed to have approval for the purposes of the Act (16-5.1) and they are exempt from the Tuition Assurance requirements (19-40.1) because those exemptions are made explicit, all other parts of the Act will apply to Table A universities.

The quality and accountability requirements

- Clause 19–1 sets out the 5 sets of requirements (financial, quality, fairness, compliance and fees).
- Clause 19–2 notes that the Act of itself does not compulsorily impose requirements on institutions; the requirements are conditional on the institution accepting the Government’s terms of purchase.
- Clause 19–5 does not define the basic requirements: ‘must be financially viable’ and ‘must be likely to remain financially viable’. The committee asks whether a university with an operating deficit over, for instance, two continuous years meet the requirements. What financial performance measures would an institution have to report against (eg. safety margin, liabilities; assets) and what would be the benchmarks for acceptable performance?
- Clause 19–10 prescribes the form of financial statements to be approved by the Commonwealth Minister for Education. No reference is made to consistency with reporting requirements of states, or the CAC Act. The annual financial statement must be provided together with an independent audit report within 4 months of the end of the reporting period. The committee notes that this may not always be a realistic timeframe, especially when there are negotiations over possible audit qualifications to statements.
- Clause 19–15 stipulates that the provider must provide ‘an appropriate level of quality’, but this is not defined. The question arises as to who will determine what is appropriate and against which criteria. This appears to be left to ‘a quality auditing body’, defined in the dictionary attached to the bill as ‘a body listed in the Higher Education Provider Guidelines’ as such a body). For universities this is likely to mean the AUQA. But AUQA currently operates as a quality assurance *verifying* agency; that is, AUQA assesses the extent to which universities deliver what they claim to deliver and apply the checks they say they apply. The universities, not AUQA, define ‘appropriate level of quality’ according to their missions. The bill suggests external standards may be applied.
- Clause 19–20 (c) provides that the Minister will have the power to direct a university to comply with any requirement the Minister imposes in order to implement the recommendations of a quality auditing body. This represents a significant shift from current practice, where the responsibility for responding to the findings and recommendations of AUQA rests with the university itself.

It would be possible for a university to be required to adopt an audit recommendation that it may have grounds for rejecting.

- Clause 19–25 requires a university to do all things required by a quality auditing body and pay all costs of an audit. There is no provision for a university to challenge the reasonableness of the audit body’s proposals.
- Clause 19–35 (1) concerns benefits and opportunities for students. While fairness of treatment is laudable the meaning of the sub-clause is unclear. What is meant by the distinction between ‘the benefits of, and the opportunities created by, the assistance are made equally available to all such students? Equality of opportunity can be achieved but equality of outcomes cannot be guaranteed by an institution.
- Clause 19-35 (2) & (3) relates to student selection decisions. While there is no in-principle difficulty with the text of the bill there is a potential for government intrusion into admissions autonomy through subsequent Guidelines issued under this part of the bill for the purposes of monitoring institutional compliance with ‘open, fair and transparent procedures based on merit’. Internal allocations of grants (such as for promising researchers) could also be subject to scrutiny under this part of the bill if enacted and related Guidelines.
- Clause 19–45 requires that all providers must have student grievance and review procedures in place. Again, this normal function of university governance is being taken into Commonwealth law. Specifically; universities must have grievance and review procedures that ‘comply with the requirements of the Higher Education Provider Guidelines’. Sub-clause 19-45 (6) implies that compliance with these requirements will be audited.
- Clause 19-50 and 19-55 requires the appointment of review officers. This would result not only in serious intrusion into university autonomy but would make universities liable to high compliance costs and duplicate a number of existing review processes.
- Sub-clause 19–60 (3) requires providers to comply with the requirements of the Higher Education Provider Guidelines relating to personal information about students. This is open ended and potentially could require universities to provide information to the Government about student behaviour and other characteristics that universities have traditionally safeguarded for the protection of students.
- Sub-clauses 19–65 (1), (2) & (3) are open ended: universities must comply with the requirements of the Act, regulations and Guidelines; must provide information required by the Minister; and must have administrative systems that support this compliance. This is too open-ended, and requires limits.

- Sub-clause 19–70 (1) requires universities to give the Minister any statistical or other information the Minister asks for about the provision of higher education and compliance with the requirements of the Act. And (2) says the information must be in a form approved by the Minister and ‘in accordance with such other requirements as the Minister makes’. This power is open ended and apparently not reliant on Guidelines that are disallowable.
- Clause 19–75 requires universities to notify the Minister in writing about ‘any event affecting the provider or a related body corporate of the provider’ that *may affect* the provider’s capacity to comply with the conditions of grant or the quality and accountability requirements. The significance of an event is not defined nor the amount of reporting detail.
- Clause 19–80 empowers the Secretary of DEST to appoint departmental officers or other persons who will have *access ‘to any premises or records* of the provider for the purpose of conducting audit and compliance activities related to this Act’. This is an extraordinarily intrusive power (with no equivalent in HEFA) and it is even stronger than the provisions in the ESOS Act, which requires a magistrate to be satisfied that cause exists to issue a search warrant of a CRICOS registered provider. No such court authority is required here. Sub-section 19-80 (2) requires a provider to comply with the arrangements.
- Clauses 19–90 and 19– 5 requires universities to set tuition prices for students, to notify the Minister of the price for each unit of study offered in a year (in a schedule approved by the Minister) and to publish the schedule free of charge to all students and prospective students in ways that make clear to them how much they have to pay for each unit and for a course of study in a year.
- Clause 22– 5 gives the Minister power to revoke a body’s approval as a higher education provider for the purposes of the Act where the Minister is satisfied the provider has breached a condition of grant or any one of the quality and accountability requirements. In considering a decision to revoke, the Minister may have regard, inter alia, to the impact of the breach on the reputation of Australian higher education or any other matter set out in the Higher Education Provider Guidelines. Clause 22-30 gives the Minister power to suspend approval of a provider under the Act. This is potentially able to cause a university to cease to function through lack of access to funds and an inability to enrol students in receipt of grants or loans from the Commonwealth.
- Clause 22-30 provides that the Minister may suspend a ‘provider’s approval’ to operate pending a decision in clause 22 – 15.
- Clause 30–1 refers to the constitutional powers of the Commonwealth in respect of ‘benefits to students’ as the basis for funding student places at an institution. Sub-clause 30-1 (2) makes such grants payable on condition that the provider enters into a funding agreement with the Commonwealth.

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- Clause 30–10 permits the Minister (‘may’) to allocate a number of Commonwealth funded places to an institution for a year. The Minister ‘must specify the distribution of those places between ‘funding clusters’. Clause 30–15 identifies 12 funding clusters, noting ‘The Commonwealth Grant Scheme Guidelines may delete, vary or add to the funding clusters’. This gives the Minister direct power to fund or not to fund specific curriculum areas in a particular institution. In the committee’s view the clause should require the Minister to consult universities and reach agreement with them on the number and mix of government supported places.
 - Clause 30–25 of the Higher Education Support Bill sets out the conditions to which Commonwealth Grants are attached. The agreement may specify the minimum number of Commonwealth supported places in each year; the number of undergraduate and graduate places in each course year; the maximum number of places with a regional loading; the number of medical student places. There may be additional unspecified conditions imposed. The Commonwealth may also restrict the type of courses in which a university may offer Commonwealth supported places. Should a university breach a condition of the grant, the Commonwealth will make ‘adjustments’.
 - Clause 33–15 makes increases in basic grants conditional on university compliance with ‘National Governance Protocols’ and workplace relations requirements. These requirements are specified elsewhere. Compliance activities are likely to require vice-chancellors to testify that all requirements are met (such as no union access to university intranet) and to be able to produce evidence to that effect as required (or have their premises, records and web sites open to random audit by departmental officers).
 - Clause 33–25 provides for adjustments to the basic grant for a year where a university enrolls more than 5 per cent above the agreed number of Commonwealth funded places or when actual student enrolments vary from the allocated distribution of places by funding cluster. Universities may well find it difficult to match their actual student enrolment to the prior allocated distribution of places by cluster.
 - Clause 36–35 allows for 100 per cent of places in a course to be full fee paying, at the Minister’s discretion. This is unprecedented, and directly conflicts with the Government’s policy that specifies that only 50 per cent of any course can be occupied by full-fee paying students. This clause has the potential to lock poorer students out of some courses altogether.
 - Clause 169–20 gives the Minister the power to determine that students may be exempt from student contribution amounts. This ministerial intervention comes over the top of the powers given to universities to determine the student contribution amount, adding another layer of discretion. Ministerial discretion should be deleted in regard to fee exemptions because it may be open to abuse. Transparent decision-making processes in universities should operate in relation to this matter.

1.15 The committee has heard a great deal about the opposition of universities to micro-management. The provisions summarised above give an idea of the administrative task in store for universities. No doubt they will require additional resources in DEST as well. The committee's view is that this extent of regulation, and the unfettered discretions of the Minister, are out of place in modern legislation, and certainly are contrary to a devolutionary trend in public administration. Professor Alan Gilbert told the committee, from a university perspective:

I could imagine that all of those provisions would be defensible if the guidelines that supported them were minimalist and highly circumscribed the circumstances with which a minister would exercise those discretions. What concerns me is that the meaning of the legislation and its operation are going to depend on a very detailed structure of guidelines that accompany it and on current evidence we have reason to fear that all of those powers that you have referred to are going to be subject to wide discretion and represent, I think, an interventionist regime of the kind we have not seen before in Australian higher education.⁷

Recommendation

The committee recommends that the Government release the full and final set of guidelines before the Senate debates the bills, given that incomplete draft guidelines were provided on 3 November 2003, four days before the inquiry reporting date.

Recommendation

Existing appropriations under the Higher Education Funding Act (HEFA) are sufficient to allow for the full functioning of Australia's universities in 2004. It is therefore recommended that the Senate not be rushed into determining a position on these bills before the end of 2003, as this would inhibit the full and detailed consideration that they demand.

Recommendation

Funding agreements

That clause 30-25 be amended to remove ministerial discretion over the funding of specific courses, in order to prevent intrusion into the autonomy of self-accrediting institutions.

Recommendation

Clause 16-25 Approval by the Minister

That clause 16-25 be amended to provide that where private entities seek Commonwealth funding, that application is subject to an open process,

7 Professor Alan Gilbert, op. cit., p. 4

conducted by DEST, and that the process be subject to parliamentary approval, and in accord with the National Protocols.

Recommendation

Defining financial benchmarks of viability

That clause 19–5 be amended to define the basic requirements of financial viability and to set financial performance measures against which an institution has to report, and to set benchmarks for acceptable performance.

Recommendation

Financial information that must be provided

That clause 19–10 be amended to reflect the consistency between Commonwealth and state reporting requirements and the extent of Commonwealth recognition of reporting requirements of states, or the CAC Act, and the timeframes within which these annual financial statement must be provided.

Recommendation

Defining criteria for assessment of quality

That clause 19–15 be amended to define ‘an appropriate level of quality’, as required by the act; and the authority or agency who will set the criteria against which this is to be assessed.

Recommendation

Requirement to comply with national protocols

That clause 19–20 (c) be amended to provide for universities to contest the veracity of AUQA audits and provide appropriate review processes.

Recommendation

Right to challenge audit reports

That clause 19–25 be amended to provide that a university may challenge the reasonableness of the audit body’s proposals.

Recommendation

That clauses 19-50 and 19-55 in relation to the appointment of review officers be withdrawn on the grounds that they present a serious intrusion into university autonomy, make universities liable to high compliance costs and duplicate a number of existing review processes. Both clauses must be amended to include the same standards of judicial review, as exist in the ESOS Act, namely a

warrant granted by a magistrate must be obtained before search and seize missions can be launched on university premises.

Recommendation

Disclosure of personal information

That in order to protect students' personal information sub-clause 19–60 (3) be amended to specify the categories of information that universities may provide.

Recommendation

That sub-clause 19–70 (1) be amended to restrict the level of information required, because the provisions are too broad.

Recommendation

That clause 19–75, requiring universities to notify the Minister in writing about 'any event affecting the provider or a related body corporate of the provider' that may affect the provider's capacity to comply with the conditions of grant or the quality and accountability requirements, be amended to define the occasions where breaches have occurred, not when they may occur in the future.

Recommendation

Requiring a search warrant for DEST inspections

That clause 19–80 relating to search powers be amended to provide for the requirement of a search warrant issued by a magistrate in the event that departmental officers need to open the books of a provider against the providers wishes.

Recommendation

Process for national allocation of places

Amend 30-10 to establish a transparent process for the allocation of places on a national basis.

Recommendation

Discretion over Funding Clusters

That clause 30-15 giving the Minister direct power to fund or not to fund specific curriculum areas in a particular institution be amended to require that the Minister consult universities, and reach agreement with them on the number and mix of government supported places, and make public the reasons for the decisions.

Recommendation

Exempting students from HECS

That clause 169-20 be re-written, so that the Minister does not have discretion to exempt specific students from making HECS or other loans contributions.

Recommendation

That in order to recognise the status of universities, the phrase ‘higher education providers’ be deleted and replaced with ‘universities’ or ‘universities and other providers’ where necessary.

HEIMS

1.16 Mention should be made of the Higher Education Information Management System which DEST expects to become operational from 1 January 2005. The Government is to provide just over \$10 million in 2003-04 for costs associated with the implementation of a computer program which will administer the students loan program and provide for the transfer of financial and statistical data between universities and DEST. A total of just over \$20 million will be provided overall for this development project, which will extend to 2006-07.⁸

1.17 HEIMS is to become the instrument of micro-management. Each university is to be given \$200,000 to cover implementation cost, or as one vice-chancellor indicated to the committee, less than the cost of ‘an indecent consultancy’. One university singled it out as a source of concern.

- a. The magnitude and complexity of the system required to track SLE would result in major IT issues and costs in universities endeavouring to link their own systems to it, and would be likely to spawn a whole layer of bureaucracy to track and manage the data produced. The problems it is aiming to manage and rectify may well be less acute than the proposed cure. The transition costs for universities will be very large. Funding support proposed by the Government for HEIMS is minimal and the apparent lack of a cost/benefit analysis is of concern.⁹

1.18 The Vice-Chancellor of RMIT told the committee that one of the issues in the RMIT’s experience with computerized student management systems was the extent of modification to the base software system. One of the most problematic areas was tuition calculation. According to her reading of the bill and her understanding the guidelines, there is huge complexity in the way that the tuition and financial arrangements are going to have to be implemented.¹⁰ Professor Dunkin said she was anticipating significant extra costs would need to be met by universities for the implementation of HEIMS.

8 DEST Portfolio Budget Statement 2003-04, p. 75

9 Submission No.103, Edith Cowan University, p. 4

10 Professor Ruth Dunkin, *Hansard*, Melbourne, 2 October 2003, pp. 623

1.19 The committee will be maintaining a watching brief on the development of HEIMS. The record of the Commonwealth in managing IT programs over the years has provided numerous case studies in what can go wrong with ambitious programs such as this. Whether the IT solution to the Government's plan is successful will depend ultimately on whether the policy is robust and has integrity at the level of human liaison. HEIMS may be called to do much to make up for deficiencies at that level.

University governance

1.20 The requirement in the bill for states and territories to amend their legislation which establishes the legal entity of the universities within their jurisdictions is also problematic. The required legislation will set a limit to the size of university councils or senates, remove student and academic staff representatives and ensure that external appointees will form a majority of the governing body. All state governments made submissions to this inquiry and all had senior departmental officers appear before the committee.

Remaking university governing bodies

1.21 University governing bodies currently remain strongly representative of the stakeholders in the universities as public institutions. Typically, the major stakeholders are the vice-chancellor and senior academics or officers of the university, academic staff representatives, general staff representatives and student representatives. Distinguished members of convocation and representatives of business and the community, as well as parliamentary representatives in some States and Territories, make up the typical core of outside appointees to councils and senates. These vary in size depending on the establishment legislation. The committee heard no evidence which suggested that any university, regardless of the size and composition of its governing body, was unhappy with its existing governance arrangements. For most universities which addressed this issue in submissions, the performance of their councils or senates was a matter of considerable pride.

1.22 The committee gained a strong impression that universities were rather nonplussed about the attention paid by the Government to the issue of the governance and the management of universities at the council or senate level. While no submission supported the Government's policies, few submissions speculated on the Government's intentions, or attempted any analysis of the relevant issue paper in the *Crossroads* review. A wide range of views were canvassed in the issues paper, but the official line which emerged later in the Minister's budget papers, was clearly evident. These are consistent with the core premise underlying the rest of *Backing Australia's Future*. Dr Nelson is fond of saying that the 'one-size fits all' approach is a threat to excellence and diversity. This is exactly the formula he is imposing on Governance.

1.23 The Government defines universities as 'providers of educational services'. This bleakly utilitarian view takes little account of scholastic values or the culture of teaching and learning which universities have developed over centuries. The Government appears to see its role in this legislation as assisting the transformation of

universities from what they see to be cloistered institutions toward a more entrepreneurial role. That the universities have been effecting this transformation themselves, over many years, without the need for Federal Government intervention, has apparently gone unnoticed.

1.24 The Government has decided that a shift away from public funding toward a ‘user-pays’ principle, associated with a more entrepreneurial approach to financial management requires a different stamp of governance. While the *Crossroads* issues paper stated that universities have to be regulated and monitored to ensure public accountability, it warns that:

However, universities are also large-scale business organisations. Increasingly they are diversifying their sources of funding through revenue derived from fees, charges and investments. It is vital that they seize opportunities to commercialise intellectual property of the university through royalties, trademarks, licensing and equity ventures. They need corporate governance structures that can encourage and support such activities, including entering into commercial relationships with the private sector.

At present many universities feel constrained in the extent to which they can respond to, and capitalise on, business and innovation opportunities in timeframes appropriate to the commercial world. ...Boards, Councils or Senates often remain unwieldy structures, unable to provide the support and advice necessary to Vice-Chancellors managing a large-scale organisation. Governing bodies ... still average 21 members. Some of these members believe they are representing particular constituency interests rather than acting as the collective leadership of the university.¹¹

1.25 The issues paper continues with the observation that appointments to governing bodies should be made on the basis of skills and attributes useful to the changing role of universities. This explains the provision for outside council members, preferably with business experience, and the elimination of student and staff representatives who may be more likely to oppose commercial operations which universities may choose to engage in. It is argued that there is a case for legally codifying members’ duties, so as to prevent conflict of interest and to ensure that they act in the best interest of the university. There was a suggestion that members of governing bodies should be subject to legal sanctions for breaching their fiduciary duties, and be required to meet the standards set for company directors.¹² This provision managed to make it through to the Nelson protocols, which were part of the 2003-04 Budget package.

1.26 The Vice-Chancellor of the University of Sydney, in one of the few submissions which tackled this issue, called the protocols which eventuated from this

11 *Meeting the Challenges: The Governance and Management of Universities, Issues Paper*, DEST, August 2002, p. ix

12 *ibid.*

issues paper a ‘knee jerk reaction’ to concerns over issues of financial management at RMIT and Victoria University. Professor Brown was highly critical of measures to standardise governance arrangements across the sector. In relation to the curious notion that governing bodies should be like-minded teams of corporate energy and virtue, Professor Brown stated:

The wording in the Nelson review concerning the governing body’s direct responsibility for risk management could be construed as placing unreasonable demands on the individual members of that body, requiring them to overstep the conventional bounds of ‘supervisory oversight’ and precluding responsible delegation. That, in turn, could render the proper task of managing the institution unworkable and risk personal liability, including automatic dismissal for members of the governing body under some circumstances. A second concern is the role of elected representatives in placing the needs of the institution first. The wording of the government protocols fails adequately to incorporate a proper function for elected members in bringing forth the special concerns of a subgroup when a matter is being considered. The paramount duty of member of the governing body must be to the university but, subject to that, representation should not be precluded.¹³

1.27 The committee notes the good sense of Professor Brown’s comments but has a different view on the governance issues paper. No vice-chancellor appearing before the committee expressed enthusiasm for being subject to a board of externally appointed bankers, stockbrokers, corporate investors and commercial lawyers. Nor would such people agree to be appointed, if Professor Brown’s warnings are to be accepted.

1.28 It is interesting to note that the *Crossroads* issues paper on governance canvassed the idea of ‘directors’ fees’ for governing body members, but then dismissed the suggestion as out of keeping with the traditions of university community service.¹⁴ The committee presumes that no irony was intended in this observation, and it interested to know what fee a university would be prepared to pay for someone to assume fiduciary responsibilities equal to those held by members of bank boards, and whether there will be resignations from among current senates and councils if some of the Government’s wilder ideas are ever drafted into legislation.

Effective governing bodies

1.29 The committee heard a number of interesting comments at hearings on the workings of governing boards, but it heard nothing which would support the views of the Government. Representation and diversity were the key words used to describe the operations of successful boards. As a Murdoch University academic told the committee:

13 Submission No. 105, The University of Sydney, p. 4

14 *Meeting the Challenge*, op. cit., p. 22

Universities and university councils, to be really successful, need a critical mass of skills. We definitely need external people and we definitely need internal people because they bring different kinds of skills and expertise. Staff are not simply representatives of other staff, although we might be elected from that constituency. What we bring to a university senate, aside from some fairly useful potential for whistleblowing, is internal knowledge and expertise about the education industry. Most corporate bodies have a predominant membership of people with expertise in the industry. By and large, the external members of university governing bodies do not have any expertise in education, so the students and staff members of those governing bodies actually comprise the industry expertise.¹⁵

1.30 The committee considers that there is a whiff of faddism in the Government's views on university management. It is always difficult to be convincing about the value of a 'reform' at a time when its moment is passing. The respect for 'corporate' values and principles has taken a battering in recent times, with spectacular examples of the collapse of companies with myopic vision, partly due to the absence of diverse opinions and an open culture of discourse. To impose on universities a structure which represents the very antithesis of what universities stand for is a highly presumptuous action by those whose thoughts and actions are almost always driven by political imperatives. At the core of this presumption is contempt for universities, what they stand for, and for those who run them.

1.31 The faddism of the Government is partly suggested by evidence heard by the committee in Brisbane about research done in the United States by Boston academics which, as the Deputy Vice-Chancellor of the University of Queensland pointed out, indicated that the Government was out of touch. The research indicated that there was evidence that governance improved where there were numbers of people who were intimately associated with the nature of the business. Professor Gardiner pointed out that it would perhaps be uncomfortable if private sector boards moved to recognise that larger numbers of both externals and internals were appropriate for effective governance 'when we were constrained to move in the other direction.'¹⁶

1.32 The need for diversity of membership on university governing bodies is obvious to anyone who understands the role and the culture of a learning institution. They have a far more diffuse role than do business corporations. If, as Professor Gardiner suggests from her reading, corporations are appointing non-business people to their boards in increasing numbers to broaden their management thinking, this practice must continue in universities. It is likely that members with no experience of university management would be at sea without the instructive presence of academic member colleagues. As one academic noted:

I was constantly struck, from the day I joined our senate, by the way the external members relied on the internal members for expert knowledge—on a casual basis after dinner, before meetings and during meetings as well. In

15 Dr Jim Macbeth, *Hansard*, Perth, 30 September, 2003, p. 160

16 Professor Helen Gardiner, *Hansard*, Brisbane, 23 September 2003, p. 17

the last few months in particular, a number of people commented—as we were raising these issues given this protocol—how they could not do their business without the internal members because they did not have that kind of knowledge of the institution and how it works.¹⁷

1.33 There was no evidence presented to the committee that university governing bodies are prone to disharmony in the working relationships between individual members. The committee believes that some Government thinking in this matter may have been influenced by the dissent within the council of the University of Melbourne some time ago over privatization issues. Councils come and go: matters are eventually resolved. This issue was not raised with the committee by Professor Gilbert, who will, as the committee notes, be dealing with a governing council of 30 when he takes up his position as Vice-Chancellor of the University of Manchester.

1.34 The issue of the size of a governing body also arose in evidence. The arbitrary limit of 18 members set out in the governance protocols appears to have no rational basis. The committee imagines that it may have something to do with a bizarre and dated idea about organizations having to be ‘lean and mean’ with the implication that small groups make better decisions quickly, and presumably, with less scope for dissent. Professor Gardiner also mentioned the issue of the Government’s preference for the size of senates and councils.

There are problems with the majority of the national governance protocols, as senators would be aware. The University of Queensland has the largest governing body among Australian universities. There is no evidence that we are poorly governed. Indeed, the evidence is to the contrary. We do not believe that specifications on the size and composition of the governing body will necessarily improve governance. Therefore, we question that level of specificity in those protocols.¹⁸

1.35 The committee believes that the Minister or those who advise him have not properly considered the issue of governing body size in the light of experience in the countries which they regard as setting higher education benchmarks. Mr Gavin Moodie provided in his submission a table showing the size of governing boards in leading British and American universities. As Mr Moodie pointed out, these international comparisons undermine the Commonwealth’s case.

17 Dr Jim Macbeth, *Hansard*, Perth, 30 September 2003, p. 161

18 Professor Helen Gardiner, *op.cit.*, p. 16

Institution	Governing body	Members
<i>Top US national doctoral colleges, in US News & World Report rank order</i>		
Princeton	Board of trustees	40
Harvard	President and Fellows of Harvard College	7
Yale	Yale Corporation	19
CalTech	Board of Trustees	37
Duke	Board of Trustees	37
MIT	MIT Corporation	75
Stanford	Board of Trustees	35
University of Pennsylvania	Board of Trustees	60
Dartmouth College	Board of Trustees	16
Columbia	Board of Trustees	24
Northwestern	Board of Trustees	122
University of Chicago	Trustees of the University	47
Washington University	Board of Trustees	53
Cornell	Board of Trustees	64
Johns Hopkins	Board of Trustees	104
Rice	Board of Trustees	25
Brown	Corporation	54
Emory	Board of Trustees	35
Notre Dame	Board of Trustees	56
UC Berkeley	The regents	26
UK Russell Group universities in alphabetical order		
Birmingham		
Bristol	Council	32
Cambridge	Council	21
Edinburgh	University court	22
Glasgow	Court	25
Imperial College	Court	150
Leeds	Council	33
Liverpool	Council	46
Manchester	Council	30
Newcastle upon Tyne		
Nottingham	Council	28+
Oxford	Council	26
Sheffield	Council	35
Southampton	Council	30
Strathclyde	Court	27
University College London		
Warwick		

1.36 The committee heard from witnesses, mostly academics who made a number of relevant observations highlighting, to the committee's satisfaction, the fact that no case had been presented which warrants the changes proposed by the Government. Academics have generally taken an unfavourable view of the Minister's apparent doubts about their competence to be involved in the governance of universities. As one of them noted:

When you suggest to academics that they are not capable of participating intelligently in any body, they tend to get very annoyed. If academics are marked by particular things, it is a high degree of independence and also pride, perhaps excessive pride, in the quality of their brains. So if somebody suggests that they do not want academics to give their input to and opinions on the management of their own institution—and, historically, for centuries literally the universities have been our institutions—and if you suggest that they are not fit to have their views taken seriously, academics get very indignant indeed.¹⁹

Student representation

1.37 The role of student representatives on university governing bodies has probably caused more anxiety for the Government than has academic staff representation. They would presumably be seen to be even more notoriously unworldly in their views than academics, most of whom at least have a degree of income security. But the committee has neither heard nor read evidence that student representatives have no place on governing bodies. The evidence was to the contrary.

1.38 One student representative on the University of Western Sydney told the committee:

... I see a great deal of value in having staff and student representatives on university governing boards. At UWS we have quite a good board. It is very student friendly—at least at the moment, anyway—so we have been finding that things have been working quite well with them. But in the past we have had issues like the Goolangullia occupation, which essentially was to do with changes that were happening to our Aboriginal education centre. Our undergraduate student representative did massive amounts of work with our governing board to make them aware of the effect upon the Indigenous student community that these changes were highlighting, resulting in an excellent compromise within the university community as well. That helped solve that issue.

The student and staff representatives are very much the primary stakeholders. They are the people on the ground. They can see what the effects of these changes are, and I think it is important that they be able to voice that to the university governing boards.²⁰

1.39 It should also be noted that students benefit a great deal from serving on university councils and learning to play a role in running an important institution. Universities should provide civic experience for students and allow them to understand the nature of collective responsibility.

19 Dr Margaret Lindley, *Hansard*, Hobart, 26 September 2003, p. 66

20 Mr Vijayalingham Nellailingham, *Hansard*, Sydney, 22 September 2003, p. 69

Parliamentary representation

1.40 This report does not avoid discussion of the merits or otherwise of parliamentary representation on university governing bodies. It records, moreover, that both the chair and the Government senator on this sub-committee are, or have been, appointees to the council of the Australian National University as provided for by the foundation act.

1.41 Some states have quite recently abolished parliamentary representation on governing bodies. Witnesses from New South Wales strongly supported the continuation of parliamentary representation because it was thought to be useful both to the universities and to the parliament. In the submission from the University of Sydney, the vice-chancellor stated that some of the parliamentarians who have served on the University of Sydney's Senate had made outstanding contributions and the university would at least want to have the capacity for Senate to choose to have a parliamentarian as a member in his or her own right.²¹

1.42 New South Wales Government officials also gave the committee an official view:

The parliamentarians and the outside points of view are an important part of the balance that New South Wales sees as appropriate in governing bodies. There has to be a mixture of internal and external, and the external participants are very important in ensuring that there is public access and scrutiny. The ICAC and other issues very much lie behind the decision to proceed with commercial guidelines and regulatory activity for governing bodies to tighten up the functions, as I was outlining briefly before. A very important part of that is public scrutiny, and we would not want to see only internal representatives on those governing bodies.²²

1.43 The Government does not favour the appointment of parliamentary representatives on university governing bodies. The committee presumes that this may be because parliaments appoint very few representatives to the boards of other institutions, so why single out universities? This is a reasonable question.

1.44 The committee would argue that whole parliaments may not be doing too many favours for universities in these appointments; parliament certainly gains some vicarious advantage in having a better idea of how these highly important institutions work. Parliamentarians learn much from their experience.

Recommendation

That the Higher Education Support (Transitional Provisions and Consequential Amendments) Bill be amended to ensure that the ANU and AMC Acts do not prevent Members of parliament taking a seat on their governing bodies.

21 Submission No. 105, The University of Sydney, p. 4

22 Ms Leslie Loble, *Hansard*, Canberra, 10 October 2003, p. 62

Chapter Four

Precipitating industrial conflict

The more that government has withdrawn support from the sector the more it has wanted to interfere in the system.

Dr Tim Batten, University of New England¹

1.1 Section 33-15 of the bill provides financial incentives to encourage industrial relations reforms in universities. If universities comply with requirements, like the National Governance Protocols and Government workplace relations policies, and the Minister is satisfied with their compliance, individual universities will obtain an increased grant of 2.5 per cent in 2005, 5 per cent in 2006 and 7.5 per cent in a later year.

1.2 The Government's core goal in the industrial relations provisions of its policy package is to compulsorily introduce individual contracts – Australian Workplace Agreements or AWAs – into universities. In fact, AWAs offer no greater flexibility than common law contracts, which most universities already use for up to 20 percent or more of their employees. Collective Certified Agreements also offer the 'flexibility' that the Government is apparently looking for: even staff employed on conditions of a Certified Agreement can be paid above minimum rates to reflect labour market circumstances, performance factors and the other conditions that the Minister has identified.

1.3 The Government's interest in forcing AWAs onto the university sector rests on the fact that AWAs override all other conditions of a Certified Agreement, including floor salary and conditions. They permit a lowering of conditions as well as diminishing the role of unions in the higher education sector, an issue which has long preoccupied this Government.

1.4 Since the ending of full salary supplementation in 1996, universities have been faced with a growing dilemma: in order to make ends meet, they have had to rely on internal productivity gains through containment of salaries and staff numbers, while at the same time increasing student numbers (especially international and other fee-paying students). This has inevitably led to a blowout in student-staff ratios of over 30 per cent.

1.5 Rather than moving to restore indexation, the Government's strategy looks to price deregulation for domestic undergraduate students to provide future revenue growth. If one assumes there is adequate demand from students, economies of scale will allow providers to reduce costs and maintain higher income margins. Conversely,

1 *Hansard*, Armidale, 24 September 2003, p. 23

those institutions unable to command premium prices will have to lower their costs, including their staff hiring costs, to remain competitive. Inexorably, these institutions will decline in status and quality, fail to attract the best students and staff, and be forced to cut out those activities that do not generate income surpluses. They will cease to be what we currently regard as ‘universities’ and become mere education service providers.

1.6 The industrial relations clauses of this legislative package, taken alone, have the potential to derail the legislation. Thus on one level it is difficult to understand why the Government has accorded them such prominence or of any benefit to university teaching or research. The major difficulty for the Government in relation to these industrial relations clauses is convincing anyone that they are actually relevant to higher education ‘reform’. Nonetheless the committee, with its long and experienced oversight of the Government’s industrial relations policy, does see a connection with the higher education sector, and it is more sinister than might first appear.

1.7 In the committee’s view, the introduction into universities of Australian Workplace Agreements would undermine the collegiate spirit which is a characteristic of universities, and which has so far been maintained in spite of the increased casualisation of the academic workforce. Universities would indeed be turned into ‘higher education providers’ – far from the concept of ‘community of scholars’. However, it appears to be the Government’s view that there is nothing that is significantly different between a university and any other ‘workplace’ or enterprise, and so it would be unfair to give universities any selective treatment or exemptions imposed on other workplaces. Notwithstanding this, the Government’s approach is disingenuously selective: the committee makes the obvious point that the Government has not sought to ensure that AWAs are offered to all employees working in government departments.

1.8 The Government would probably argue that industrial relations in universities, while not an issue that arouses any wide public interest, will be an issue as long as the NTEU encourages a form of pattern bargaining that some university administrations have complained about in submissions to the *Crossroads* review. But, it is of interest to the committee that this matter was not raised by any vice-chancellor at public hearings. Nor was this issue even touched on in any university submission. The Government senator on the committee did question witnesses on the evidence provided to the *Crossroads* review, leaving some doubt as to how seriously the committee should regard this evidence. It appears that most stakeholders, if they think about it at all, regard the issue of pattern bargaining as a minor one. Instead, there was strong and unanimous opposition to the introduction of AWAs.

1.9 A useful overview of the continuing industrial disharmony which has characterised Government policy since 1996 was provided to the committee in Armidale by Dr Tim Batten. He points out that the proposals in the policy, and reflected in the bill, accentuate the trend in industrial relations that has existed for

some years. The more government has withdrawn support from the sector the more it has wanted to interfere in the system. He continues:

The previous round of enterprise bargaining was made much more difficult than it needed to be, largely because the so-called Kemp agenda made it so fraught with difficulty. Until recently, indications were that the present round of enterprise bargaining might be less difficult in that respect. However, the industrial relations details released on Monday of this week by ministers Abbott and Nelson are extremely disappointing in what they signal. ...The third point is that the package seems certain to lead to an increased stratification of a sector already too differentiated by access to funds and resources. The fourth point is that the proposals fail to address in any meaningful way the real workplace issues that face university staff, increasing unacceptably high student to staff ratios, unpaid overtime in the general staff and greater stress in the sector.²

1.10 This depressing warning of likely strife contrasts with evidence the committee heard from many other witnesses, especially vice-chancellors, of a currently prevailing harmonious and optimistic industrial outlook. The committee can only urge the Senate to reject this legislation, acknowledging that university staff and management will have to decide between them whether to fight among themselves over AWAs or whether to form a common front in opposition to the Government's policy.

Recommendation

That the industrial relations conditions as contained in the draft guidelines issued on 3 November 2003 be rejected because they would only serve to damage the quality of the core teaching and research functions of universities, would undermine staff conditions and unfairly target the valuable contribution of unions.

Recommendation

Clause 33-15 increases in assistance for higher education providers meeting certain requirements

The link in clause 33–15 requiring compliance with the centrally determined National Governance Protocols and the Howard Government's industrial relations policies in order to gain funding, be rejected by the Senate because it is unfair, unworkable, and unnecessary.

2 Dr Tim Battin, *Hansard*, *ibid.*, p. 23

Industrial blackmail

1.11 Industrial relations is a serious issue in this inquiry because of the financial implications for universities in their compliance or otherwise with requirements listed in clause 33-15 of the Higher Education Support Bill. This states that:

a higher education provider's basic grant amount for a year is increased ... if (a) the Commonwealth Grant Scheme Guidelines impose on higher education providers ... (ii) requirements based on the workplace relations policies of the Australian Government; and (b) the Minister is satisfied that the provider met those requirements...

1.12 The import of (a) is that funds will only be made available if the Senate does not disallow such guidelines. The import of (b) is that, even if funds are available, universities will not have access to them if they do not comply with the requirements specified in the guidelines.

1.13 If universities agree to sign up to the protocols on AWAs they will take a share of the \$404 million which has been set aside as additional funding for 2004-06. The committee notes the varying reactions to this offer, which is provoking strained relations between university administrations and staff. The Vice-Chancellor of the University of Sydney has stalled the signing of an enterprise agreement until the fate of the legislation becomes clear. In a contrasting decision, the Vice-Chancellor of the Australian National University has signed off on a recently negotiated enterprise agreement. The committee can only speculate on whether this example will be followed by other universities, and whether it is the beginning of the 'common front' referred to above. This funding is to continue as part of *Backing Australia's Future*, where the Government has established a workplace productivity program under which \$55.2 million will be provided in 2006-07.

1.14 The committee asked NTEU witnesses at the University of New England what the effect would be on UNE of the industrial relations statement issued by Ministers' Abbott and Nelson on 22 September 2003. The response was interesting in regard to the dynamics of enterprise bargaining negotiations over time:

The impact would be something like this. The last round of enterprise bargaining was extremely difficult. That is an understatement. There were local factors in that which I will not specify. I do not want to damage present relations, which have improved quite a bit since two years ago.

But the overriding factor, or an extremely strong factor, in how enterprise bargaining was conducted last time was the Kemp agenda and a university administration having to second-guess what the minister at the time would approve or disapprove. Until now, in this present round of enterprise bargaining—which is well under way in this university and has gone extremely positively compared to last time—the IR component of the Nelson package had been more of a minor nuisance than an overriding factor which was determining the course of events. As of Monday, however, that seems to have changed. If you look at the events at Sydney University

just in the last 24 hours, you will see an indication that university administrations are now going to be very reluctant to engage in genuine enterprise bargaining.³

1.15 This is how the Government precipitates industrial conflict. The introduction of AWAs was always going to face serious challenges, but by sabotaging enterprise agreement negotiations, the Government presumably expects that AWAs will at least get a foot in the door of universities.

1.16 The committee notes that Edith Cowan University submitted to the *Crossroads* review that it supported government action to reduce pattern bargaining. At the hearing in Perth, Vice-Chancellor Millicent Poole was critical of the linking of an industrial relations policy to the rest of the package. The deputy vice-chancellor stated that the university did not think the reforms would provide it with any more flexibility than it currently had. ‘...we do not think either side of politics recognises the extent to which employment conditions have changed in universities’.⁴ It should be noted that Edith Cowan University is the second or third lowest funded university in the country, arguably being underfunded to the extent of at least \$5 million per year. In the absence of indexation of grants to cover wage rises, the anxieties of Edith Cowan and universities in a similar position are understandable. The point to note here is that the Government is using the promise of industrial relations changes as a kind of substitute for adequate funding for wage increases: a ploy which is too transparent to be taken seriously.

Pattern bargaining allegation

The charge of pattern bargaining needs to be addressed. The Government has conducted a legislative campaign directed against industry unions on this issue for years, without success. It has no relevance in regard to university salaries and conditions, which are negotiated at the university level. The NTEU puts a floor under the salaries to be negotiated, but the outcome results in significant variations in salaries and conditions within institutions and across the sector. The extent of pattern bargaining engaged in by Commonwealth agencies exceeds that carried out by the NTEU.

1.17 Critics of the NTEU salary floor should also appreciate the undesirable effects of wide variations in salaries offered by universities. Australian universities, which operate in a global market, already lag behind a surprisingly large number of countries in terms of salary levels. All universities want to offer good salaries to attract and hold staff. If the Government intends that AWAs will have the desirable effect of depressing wages in some institutions, then this can only result in a greatly diminished quality of education on offer at these universities.

3 *ibid.*, p. 24

4 Professor Patrick Garnett, *Hansard*, Perth, 30 September 2003, p. 127

1.18 The Government's insistence that Australian Workplace Agreements be offered to university staff in any round of enterprise bargaining has already realised the potential to cause disruption, or at least disharmony, throughout the sector. It is little wonder that vice-chancellors have been highly critical of these provisions in the bill. The inclusion of these provisions, together with the governance provisions, have made it much harder for the Government to retain the support of its normal supporters.

1.19 This was most apparent in the evidence given by Professor Alan Gilbert, who described the industrial relations guidelines as an example of 'bureaucracy run riot'. He went on to say:

I think the guidelines subvert the very idea of a workplace agreement. I have been an objector for a long time to the fact that the unions have a gatekeeper role which can mean that a university like mine, which I think has a superb industrial relations environment, can be forced by the union's gatekeeper role to do things that we know will damage the academic community. The government is doing exactly the same thing as the union. It is giving itself a gatekeeper role and saying, 'Unless you create a standardised approach to IR we will not provide you with funds.' I think it is indefensible.⁵

1.20 Professor Gilbert spoke of his pride in achieving a much higher productivity and a very large degree of flexibility in relation to workplace agreements at Melbourne University, but he deplored any action that would push the university into a confrontationist course and tear a collegial community apart. That is something that is worth more than the money, in his belief.⁶

1.21 Another vice-chancellor, Professor Peter Sheehan spoke to the committee in more troubled tones about the threat of disruption. He clearly regarded the inclusion of industrial relations and AWA provisions as a provocation:

I think workplace agreements are still to some extent selective. Universities have been singled out. There are a number of professions in which workplace agreements are not running current. Enterprise bargaining, the role of the unions and their position with respect to AWAs are really explosive issues. The government knew about that. When I say I was disappointed I was hoping for some kind of wording that would allow access to funding. What I fear now—and that is why I use the term 'disappointed'—is that our access to those funds will be blocked by the confrontation and conflict ahead.⁷

1.22 Concerns about disruption and disharmony were also expressed by the Vice-Chancellor of Victoria University of Technology:

5 Professor Alan Gilbert, *Hansard*, Melbourne, 2 October 2003, p. 8

6 *ibid.*, p. 9

7 Professor Peter Sheehan, *Hansard*, Brisbane, 23 September 2003, p. 7

... the industrial conditions in the package are a shock to us. I am a new vice-chancellor, and one of my aspirations is to build a sense of trust and confidence with the staff. I am personally on record as supporting more flexible arrangements and greater choice in employment conditions for academics, but the industrial criteria in this package give me little room for a constructive dialogue about some critical issues with Victoria University staff. I have not mentioned that the industrial conditions put our financial situation in more dire straits—that is, the \$9 million to \$12 million, which we face losing in the transition period, and the \$1 million to \$3 million thereafter are at the outer ends if we do not achieve the industrial conditions which allow us to receive an additional 2.5 per cent per annum.⁸

1.23 The evidence of Professors Sheehan and Harman convey some idea of the additional pressures placed on vice-chancellors by ill-considered legislation. Along with many other provisions in the Higher Education Support Bill, the industrial relations requirements virtually guarantee that vice-chancellors will be caught in the dilemma of whether to threaten the collegiate harmony of their institutions or go for the money. Professor Gilbert doubts that it is worth the cost. But, as Professor Poole, pointed out to the committee in Perth, he was in the fortunate position of being able to do so.⁹

1.24 A number of vice-chancellors have described how their universities provide common law contracts to cover different categories of employees, and that these are much more flexible and less cumbersome than AWAs. The fact that this arrangement works well, and is accepted by the NTEU, is probably sufficient evidence for the Government to assume that AWAs go beyond what is needed. As the NTEU submission noted in regard to common law contracts:

There is nothing in any of the NTEU's Certified Agreements that prevents the payment of additional salaries, bonuses, allowances or the granting of additional leave or family-friendly arrangements.

Moreover, where employers have sought to negotiate these, NTEU Agreements provide for common-law contracts ('senior performance management contracts') which enable flexibility in respect of senior staff positions, displacing the certified agreement provisions in areas such as discipline, termination, performance, leave loadings, redundancy and salary increases.¹⁰

1.25 The committee noted the importance placed on harmonious industrial relations by all university stakeholders. Relations between staff and administrations in some universities have not always been good. The understanding of the potential dangers of a return to industrial instability for the long-term wellbeing of universities

8 Professor Elizabeth Harman, *Hansard*, Melbourne, 2 October 2003, p. 72

9 Professor Millicent Poole, *Hansard*, Perth, 30 September 2003, p. 54

10 Submission No. 466, NTEU, p. 55

has probably resulted in an acceptance on the part of both academic and general staff, and university management, that doctrinaire stances and ‘efficiency first’ policies are out of place. There has clearly been much compromise achieved. As the committee heard from an NTEU member in Perth:

I believe that if you look at our productivity gains—if you look at the increase in almost any measure, from staff-student ratios to however you care to measure productivity—this has been a very productive sector. The existing system has led to very little in the way of industrial strife and to great increases in flexibility. One thing that is often not realised is how much the sector has changed in the last decade or two. Our management now has the ability to reward performance; they have the ability to offer overt award payments linked to market forces; they have the ability to input merit and strategic factors. So there is great flexibility to reward good performance and performance above the norm.¹¹

1.26 Adding further weight to vice-chancellor opinion, Professor Daryl Le Grew summed up in broad terms the sense of exasperation felt by university leaders at the Government’s apparent inability to grasp some simple points about AWAs and the nature of the university as a workplace:

On the basis of the industrial relations reforms, we find that what is being proposed is unworkable. We think that our capacity to negotiate, as we do, with our staff is compromised by an overemphasis and strictures that are being put in place by provisions of AWA’s. I would like to point out, and I have pointed this out in other places, that the University of Tasmania already has quite a flexible approach to the way in which we construct our employment—we build it on the base of our collective agreements, and we think that is a good thing. Over the top of that we have L to K agreements, common law contract agreements and negotiated performance pay agreements across the university—these are transparent agreements that occur every year. So we have a raft of flexibility that we think achieves all that the government wants to achieve. We do not know why there is a continuing and obsessive commitment to something which appears to be more ideologically driven than logically driven at the present time. We are interested in outcomes and we can present the government with outcomes. We think we have done that, but we do not seem to be getting that through.¹²

1.27 As the committee argues in this chapter, Professor Le Grew’s achievement of good outcomes is not something that the Government is interested in: it is the way these outcomes are to be achieved which is at the core of clause 33-15.

1.28 University administrators dislike being dictated to by governments and officials who lay claims to competence in the field of management. They regard this,

11 Dr Stuart Bunt, *Hansard*, Perth, 30 September, 2003, p. 159

12 Professor Daryl Le Grew, *Hansard*, Hobart, 26 September 2003, p. 3

rightly, as unwarranted intrusion in their autonomy and their efficient operations. As the committee was reminded by Professor Alan Robson, Acting Vice-Chancellor of the University of Western Australia:

We are totally opposed to tying funding increases to the introduction of Australian workplace agreements or to being dictated to about how to organise industrial relations within the university. Despite what people might think, universities are very good at human resource management, and they have negotiated significant industrial reform which has been in the best interests of both the staff and the university.¹³

Objections to AWAs

1.29 The NTEU submission stated that there are only two reasons to use an Australian Workplace Agreement in higher education: either to deprive employees of rights they would have under a certified agreement or to meet the ideological prescriptions of the Government. It claimed that since most universities do not want to reduce conditions and already have ‘flexibility’, it is not surprising that there is no clamour, even among employers, for AWAs in higher education.¹⁴

1.30 South Australian NTEU members were asked what was unacceptable about the offer of an AWA to university personnel. The reply was that some staff might be vulnerable to pressure or may be talked into AWAs as a result of their inexperience. As one witness described it:

We are saying that there is the potential for people coming in at ground level, particularly young people—and I would not say particularly women, but in many of these low level 3 and level 4 general staff positions a lot of them are women. I could certainly see an environment where they would be told. We have already had the example in our university of advertisements for general staff positions containing words that are outside the agreement. I see it as a ‘thin end of the wedge’ thing. I would not be at all surprised to know that in some areas of my university there would be managers in this position putting pressure on people to sign AWAs.¹⁵

1.31 The committee believes it likely that the AWA measure is an attempt to undermine collective bargaining over the long-term, although it doubts that this would ever be achieved. In the committee’s view, such an outcome would, in any case, be undesirable. It is not only that university employees are likely to have more ‘political savvy’ than employees in many other organisations, but there is also likely to be a wary or skeptical attitude to advice that AWAs are in the best interest of employees. It would need to be shown that AWAs delivered salary packages as generous as those of

13 Professor Alan Robson, *Hansard*, Perth, 30 September 2003, p. 74

14 Submission No.466, NTEU, p. 55

15 Dr Judy Zollo, *Hansard*, Adelaide, 1 October 2003, p. 19

other contracts and agreements. AWAs have no purpose in universities other than to place those who accept them on lower levels of salaries and conditions.

1.32 As the committee heard from NTEU members in Perth:

The only reason I can see for introducing the AWAs, given that we have a number of systems in place to reward over performance, is a punitive one to drive down wages and costs. We already have the flexibility to encourage and reward performance and also to respond of administering to market forces.¹⁶

1.33 Another objection to AWAs was that they are regarded as extremely disruptive and costly. The cost is in relation to their negotiation and registration. Perhaps a more important objection was their likely adverse effect on staff morale.¹⁷

Other impositions on unions

1.34 The Government's industrial relations policy in regard to universities even extends to prohibiting universities from providing rent-free accommodation. The NTEU submission includes the following:

According to a report in *The Age* on Wednesday 6th August 2003, "Canberra Plan to Hit Staff Unions", this agenda might include a requirement that the union's on-campus offices be removed.

This proposal shows a gross ignorance of the important role played by staff representatives within universities through union organisation. Universities are large organisations and the NTEU Branch and its local officers, play an important role in consulting management and are usually represented on a range of university Committees and Branch Enterprise Agreements which also require the university, and the union, to play a role in consultation over staff issues. Many union representatives are required, as part of contributing to the collegial processes of university life, to contribute their views to university decision-making. This invariably involves the commitment of many hours of unpaid time.¹⁸

1.35 The NTEU says that in these circumstances, it is not surprising that universities have entered into arrangements with other unions, so that they are able to utilise or rent modest office facilities within universities. The presence of such offices and facilities make the process of consultation and representation more efficient. The committee agrees with the NTEU that 'any proposal to link the funding of education programmes to decisions by universities about how they allocate their office-space would be merely laughable if they did not also constitute an egregious interference in

16 Dr Stuart Bunt, *Hansard*, op. cit., p. 159

17 *ibid.*

18 Submission No 466, NTEU, p. 56

institutional autonomy.’¹⁹ The committee, unfortunately, is unlikely ever to know the original sources of these bizarre attempts to cleanse university campuses of any physical presence of organised staff or student representative bodies.

1.36 Amendments to the Workplace Relations Act are planned in order to empower the Australian Industrial Relations Commission to end protected industrial action, by requiring the AIRC to take particular account of the welfare of particular classes of people, who will happen to be those in the care of health, community services or education systems, including students. This measure, which removes the right to strike, is almost certain to be strongly opposed by all unions concerned. The committee, in its workplace relations oversight capacity, will almost certainly be dealing with this legislation when it is introduced.

1.37 The NTEU submits that under the existing legislation, employers have applied, and on one occasion succeeded, in obtaining orders against the NTEU from the AIRC to cease industrial action, and the NTEU has complied. The union argues that the discretion currently vested in the AIRC is appropriate.

The very words of 170MW(a) already implicitly direct the Commission’s attention to industries such as health, education and essential services. There is no need to further amend the Act, unless the intention of the Parliament is to render merely formal the right of employees in health, education or community services to take protected industrial action.²⁰

1.38 In this respect the Government’s proposed amending legislation mirrors its other attempts to strengthen legislation needlessly because the original intent was clear. It is unlikely that the Government will be any more successful in this attempt at amending the act than it has been previously.

Real industrial relations issues

1.39 The attempt in the legislation to impose AWAs on universities, provocative as it is, is not the point at real issue in the continuing challenge of providing appropriate and beneficial conditions of employment in universities. This issue might not be addressed directly in any ‘reform’ legislation, but it is directly relevant to the proper funding of universities. The serious cut-backs in university funding since 1996 have led to a marked deterioration in conditions of employment, especially for academic staff, and have resulted in greatly increased teaching loads which have affected the quality of the education provided to students.

Deterioration in employment conditions

1.40 The NTEU has submitted that since 1994 there has been a 44 per cent increase in the ratio of students to teaching staff in universities. Added to this is the increased

19 *ibid.*

20 Submission No. 466, NTEU, p. 59

workload, much of it unpaid overtime, necessary to conduct courses that bring in fee-paying students, and to engage in other activities to raise income from private sources. Anecdotal evidence of an 'out of control' workload is also supported by research: McInnis²¹ found that levels of job satisfaction among academics had fallen from 67 per cent in 1993 to 51 per cent in 1999. Their dissatisfaction was related to salaries, conditions, and declining opportunities to pursue professional interests.

1.41 The study found that 40 per cent of academics work more than 50 hours per week, while 55 per cent reported increased workloads over the last five years. McInnis concluded that the quality of teaching and research is threatened by such working arrangements. During 2000, a major study was undertaken into stress levels in universities.²² The study involved 17 universities, and a total of 8,732 responses. The response rate was 25 per cent, and analyses suggest that the sample is representative.

1.42 The NTEU points out that staff in higher education have carried the brunt of declining resources and increased student loads. Suggestions in the *Backing Australia's Future* package that high priorities were 'effective performance management systems', and that probation and promotion decisions be linked to student evaluation published on the institution's website, could reasonably be seen as deliberately designed to exacerbate the problems identified by the research.²³

1.43 The committee has always championed effective quality assurance processes at all levels of education and has often criticised governments for failing to provide them, but finds it very disturbing that governments should be intruding into areas where that intervention is likely to represent a serious threat to university independence and to academic freedom. The proposal in Section 8 of *Backing Australia's Future* that academic salaries be linked to student evaluations and management 'perceptions' is a concept strongly opposed by the committee because of its potential to destroy the collegiate spirit which is part of the intellectual life of universities. This idea is borrowed from the corporate sector: one of many instances where policymakers appear to be confused about the role of universities and why they cannot be like business entities and remain universities. As Professor Daryl Le Grew made obvious in his evidence to the committee:

What [this legislation] does not recognise...is that the staff of a university are its intellectual property, its intellectual capital. Without that intellectual capital nothing happens. We recognise that our staff are probably not as well remunerated in comparison to international standards as they might well be. We would love to be in a position, on balance, with regard to the university's overall budget, to improve that situation.²⁴

21 Craig McInnis, *The Changing Work Role of Australian Academics*, DETYA, 2000

22 Anthony Winefield, et al, *Occupational Stress in Australian Universities*, NTEU, 2001

23 Submission No. 466, NTEU p. 60

24 Professor Daryl Le Grew, op. cit., p. 4

Casualisation

1.44 This committee's 2001 report, *Universities in Crisis*, gave detailed evidence of the unfortunate trend toward casualisation of university employment, with devastating effects on academic staff and on teaching. Universities have sought to cope with the financial pressures on them by increase in casual hourly paid staff.

1.45 According to the NTEU, this has grown steadily during the period 1993 to 2000 as is shown in the following table:

Table: increase in casual staff

YEAR	ACADEMIC	GENERAL
1993	14.6%	8.1%
2000	19.6%	11.8%

1.46 This is not to argue that casual academic staff should not be used. Some casual staff with particular professional or vocational expertise may wish to supplement their teaching capacity, and casual tutors are traditionally recruited from among postgraduate research students so as to supplement their income and providing them with teaching experience necessary for an academic career. Universities require specialists in some disciplines who may be available only on a casual basis. Over the past decade, however, casual employment has been increased simply as a cost-cutting measure. An estimated 40 per cent of all undergraduate teaching is now done by casual hourly paid staff.

1.47 The employment of large numbers of casual staff places a considerable burden on the shoulders of a diminishing number of tenured staff, who are responsible for mentoring and supervision. More significantly, the casualisation of work itself reduces the opportunity for junior academic career aspirants to gain tenured appointments. Most academic and general staff casuals are employed in continuing 'permanent' work and most would prefer not to be casual staff. In this, they are representative of a high proportion of casual employees in all occupations. The committee notes that they are all suffering the consequences of an employment strategy promoted by the Government which has elevated employment 'flexibility' as 'holy writ'.

1.48 The committee is not therefore surprised to see references to more 'flexible' employment practices in Section 8 of *Backing Australia's Future*. This confirms the Government's intention to encourage even more recourse to precarious employment in higher education.

1.49 It is clear to the committee, as it would be to university stakeholders, that there is a clear policy connection between the Government's refusal to implement full cost indexation for Commonwealth grants and its policy of encouraging labour

flexibility in universities. The restoration of full indexation would see a fall in the rate of casualisation, and may encourage the expansion of tenured or long-term contracted positions. Vice-chancellors in their desperate attempts to attract good staff and build 'communities of scholars' have been arguing strongly for indexation. The Government, which understands this campaign, is just as determined to resist it. Therefore, all universities, especially those with least access to external funding, will need to wait for a government to be elected which has some respect for the role they have and some recognition that, properly funded, they will make the best decisions for themselves.

Conclusion

1.50 Pragmatism has no place in the Government's industrial relations policy. It is not sufficient for processes to work in practice: they must work according to theory. This is probably why the Government would be willing to accept that AWAs may not be taken up by any university employee, so long as they were available *in theory*. Even so the universities have realized the power that a government has to use an industrial relations issue to poison what were very good relations between university administrators and staff. Even without one AWA on the horizon, their potential to precipitate industrial disharmony is considerable.

1.51 The committee understands the overall strategy of the Government, and for that reason looks at the evolving higher education industrial relations policy with even more alarm than universities, for whom it appears as a bewildering aberration. It is not. This is an attempt to precipitate industrial strife, and there is an uncomfortable logic behind it. For a number of reasons, the committee is strongly opposed to the offer of AWAs to university employees and the removal of the current limit on the numbers of casual staff. Their purpose is only to institutionalise a form of salary fixation which is contrary to the interests of universities: their staff, their students and the role which they have in the intellectual life of the nation.

1.52 All references in this bill that tie Commonwealth Grants Scheme funding to industrial relations reforms be removed. Such provisions are unnecessary, draconian and destructive to the effective working of universities. Moreover, such inappropriate interference by the Government into university industrial relations detrimental interferes with the collegiate processes well established in universities.

Chapter Five

Student participation in student organisations

Services such as welfare could not exist without the subsidy provided by compulsory student fees. Further, DEST acknowledges that the services provided by student organisation are beneficial to the communal interest. In light of the assertions made by DEST on behalf of the Minister, and the counterclaims of its unsustainability, neither DEST or the Minister are yet to release a sustainable plan for the provision of services to the student body...

University of New South Wales' Student Guild¹

5.1 It comes as no surprise to the committee that the Government has blown the dust off previously rejected policy on student organisations and resuscitated it with a new title for inclusion in the Higher Education Support Amendment (Abolition of Compulsory Up-front Student Union Fees) Bill 2003. In his second reading speech, Minister Nelson has argued that student choice is one of the foundation principles underpinning *Backing Australia's Future*. That choice is how people have access to university education; how they pay for it; and what organisations at university they want to join.

5.2 Specifically, the bill will amend the Higher Education Support Bill when (and if) it is passed. The amendments are designed to insert 'fairness' requirements into the quality and accountability provision in the main bill. As the Minister explained in his second reading speech:

An institution may have its approval as a higher education provider revoked if it does not comply with these requirements, and as a result will not receive any grants under the Act if that occurred. Alternatively, it may be required to repay amounts to the Commonwealth or it may have its grants reduced.

The fairness requirements will ensure that higher education providers do not require students to be members of a student association, union or guild, as a condition of enrolment. It will ensure that institutions do not collect any amount that is required to be paid as a condition of enrolment that is not directly related to a student's course of study.²

5.3 Thus, the purpose of the legislation has in common with the main bill the unwarranted and outrageous intrusion of government in the internal affairs of universities. This separate piece of legislation also sheds light on the hitherto

1 Submission No. 342, UNSW Student Guild, p. 23

2 Hon Brendan Nelson MP, *Hansard (House of Representatives)*, 17 September 2003, p. 20250

unexplained 'fairness' provision (19-35(1)) of the main bill. At the core of this policy is an ideological objection to activity of any kind which responds to, and is couched in terms of, collective or community-based needs - the public good - at the expense of theoretical and purist notions of individual rights. Compulsory membership of public amenities such as student organisations is opposed by libertarians because, apparently, the community is elevated above the individual. Fortunately, there is still a great deal of respect in both statute and common law for the safety net we call the 'common good', or 'public interest'. It is not to be found in this legislation.

5.4 It is worth noting here that students, who for reasons of conscience object to belonging to the relevant student organisation, are accommodated by current rules and practices in all universities through conscientious objection clauses in university statutes, and often in student organisation rules of association. It would appear that 'freedom of association' motives are not the real reason why the government is insistent on these amendments.

What student organisations are about

5.5 When this committee first looked at what the Government proposed in the notorious (and lapsed) 1999 amendment to the Higher Education Funding Act to abolish automatic student unionism, it needed to remind itself that this was as much an attack on student appetites for food and drink as for political rights; and an attack on their entertainment choices and their health, fitness and need for counselling and essay-writing skills.

5.6 The Government's moves against automatic student unionism appear motivated by the desire to weaken, if not eliminate, the likelihood of any anti-government political movement among students. The effect of weakening these organisations will be to severely restrict student access to food outlets, sporting facilities and counselling.

5.7 The committee emphasises that the organisations provide important basic and essential services including catering, childcare, welfare and health services, recreation and entertainment. These goods and services are offered at a greatly subsidised rate because of the co-operative arrangements which are now operating in universities. The levy keeps down the prices and provides the services to students in the same way as compulsory agricultural levies underwrite the scientific research and the marketing which enable the primary producer to make a decent living.

5.8 Student organisations have an important educative and social role to play at universities. They develop organisational and leadership skills among students. This is part of the university experience, although its importance and value is not 'quantifiable' by those who have a strictly utilitarian view of the purpose of a university education. This was put to the committee succinctly at the University of New England:

I think one of the great value adding experiences that students at UNE get is their participation in student organisations by being in a club, by being involved in debate or by being involved in community service activities, and the potential loss of those value adding leadership life skills that we provide would be just enormous. It is one of the attributes that students and the wider community value when they recognise UNE graduates going out. Because so many students live on campus they participate in a range of learning and life skills. The potential for those to be lost because they are traditionally supported by student organisations would be enormous.³

5.9 The committee heard considerable evidence on the role of student organisations. They are a social and cultural focus of the university. They contribute to the well-being of students in many ways. They provide services which the universities themselves cannot afford to provide. There can be no question of the ‘utility’ of these organisations and their facilities in rural universities and those in outer metropolitan centres.

5.10 The Australasian Campus Union Managers Association had a great deal to say about the positive role of student organisations in contributing to the social and psychological well-being of students. ACUMA stated that:

University experience does a lot to grow the whole person. That is part of the issue where we are fundamentally at odds with the government, on the basis that the part of the university experience that is being overlooked is all those other things that go on, and all those support mechanisms. We help in retaining students, instead of them dropping out. Craig McInnes of Melbourne University has been doing surveys in relation to the first-year experience. Usually the loneliness and the fact that the student does not feel a sense of connectedness to the university is the reason they drop out.

The government has a major agenda to make sure that the drop-out factor at universities is reduced. The sorts of services that we provide, and the opportunities and networks through the clubs and through activities, help students get to know each other. We are trying to make our society a diverse one. The fact that we have students from different countries in the same club and the same group means that students who come from different countries get to know other students and their behaviours, their beliefs and their attitudes.⁴

5.11 One argument of ACUMA that ought to strike a chord with a Government eager to promote private investment in universities was the potential value of former students: the alumni, or convocation. According to ACUMA, universities want their alumni to have positive memories of their university days. They do not want them to

3 Mr Stephen Griffith, *Hansard*, Armidale, 24 September 2003, p. 16

4 Mr Trevor White, *Hansard*, Adelaide, 1 October 2003, p. 11

feel that they have been educated at a factory.⁵ This they regard as a precondition to building strong alumni networks and associations.

5.12 The committee heard evidence about the absence of alumni activism and takes the point made by the Vice-Chancellor of Swinburne University, Professor J Wallace, there has never been a strong tradition of this in Australia, as compared to the United States, for reasons to do with culture and the stronger consciousness in this country of sentimental ties to schools rather than to universities.⁶

How necessary are student organisations?

5.13 If the Government is intent on weakening student organisations, then the question arises as to how this will affect their operating capacity. Will the university suffer as a result? Student leaders meeting at the University of New England were asked about the effect the legislation would have on union activities. Their response from a Charles Sturt University student was:

Our vice-chancellor has come out, as UNE's vice-chancellor has, and said he could not financially carry the costs of the association at the same level as they are now—they could not provide what we provide and do what we do. Further to that, our vice-chancellor has expressed that he would not support anything which detracted from the student experience, and I think that is something that regional universities pride themselves on—the student experience. When you go to regional a university, regardless of where you come from, you learn life lessons. You live out of home. You stand on your own two feet. A student association is an absolutely vital part of providing support. For this reason alone, 950 students live in residence on our campus. Without the student association, they would not have access to many social and cultural facilities. We do simple things, like run buses into town because it is simply not safe to travel at night from campus into town. An important point to make about student associations in regional universities—and I can speak from my own experience—is that they reach beyond the campus and into the community. We undertake a lot of community projects. Two examples are that we work with Bathurst Action Against Sexual Assault and with violence against women projects. We run them out of our student association; our welfare officer runs them. We do things like drinking and smoking campaigns in town.⁷

5.14 Supporting evidence came from University of New England student leaders, who reminded the committee of asset maintenance issues which are among many unresolved questions that appear not to concern promoters of this legislation:

The university administration has indicated that they could not afford to provide the services at the level that they are currently provided. An

5 *ibid.*, p.11-12

6 Professor J Wallace, *Hansard*, Melbourne, 2 October 2003, p. 38

7 Miss Amy Coopes, *Hansard*, Armidale, 24 September 2003, p. 16

example the vice-chancellor has used a number of times is Sport UNE. They have 15 hectares of playing fields and the university could not afford the mowing bill alone. A question was asked of administration last week, 'What would you do if it came in?' They said: 'We would reassess in 12 months time after everything was closed down.' The student associations provide the cinema, entertainment, all the food and services on campus here and all the sporting facilities that are available to the wider community beyond Armidale in terms of the indoor pool, indoor sporting facilities and playing fields. There are 26 sporting clubs affiliated with Sport UNE.

They are just the tangibles. You have the housing services provided by UNESA and the 'How to write a thesis' seminars and other workshops provided by UNEPA to postgraduate students. The postgraduate association has a postgraduate computer lab that residential and external students regularly use. That is available to them, as is other counselling advocacy. They are represented on many UNE committees and provide a strong voice for the university and for students. In terms of the financial implications of that, Armidale Dumaresq Council and the university would have to look seriously at the cost involved in replacing or providing those services to UNE students and the wider community.⁸

5.15 ACUMA made clear to the committee the serious implications for assets and staffing should the bill be passed.

It is true to say the sector does not have very big balance sheets, because typically they have their premises on university land and quite often in law it is the university who owns the buildings. The provision for redundancies for the sector would be a serious problem. They do not have that sort of ready cash around to provide for redundancies, and so I think in the event that the legislative amendments were brought in, or these changes were brought in for VSU, the sector would have a problem in terms of providing for its people, and certainly it raises the issue as to how much time the sector would preferably need in a situation like that. It would be a major problem for the sector to provide for these redundancies from a financial perspective.⁹

5.16 The committee recalls that evidence presented to the 1999 bills inquiry into VSU included a submission from the student organisation of the Wagga Wagga campus of Charles Sturt University which stated that VSU would have resulted in forced redundancies of union employees. In view of their precarious financial position, the university would have been required to step in to pay them out.¹⁰ These are serious issues, not simply for student organisations, but for universities and the Government. There is the potential to force on universities considerable unforeseen

8 Mr. Stephen Griffith, *Hansard*, op. cit., p. 3

9 Mr Peter McDonald, *Hansard*, Adelaide, 1 October 2003, p. 4

10 Miss Amy Coopes, *Hansard*, op. cit., p. 15

costs. On top of this would be the costs of subsidising or directly assuming the running of basic levels of student amenities.

International students

5.17 ACUMA was asked about the participation of foreign students in student organisation activities, and how important the amenities were to them. The committee was told that foreign students were reluctant to express their views about this issue for fear of violating their visa conditions. But, anecdotally, there was evidence of their concern, and that of their parents, about the threat to support services which would make their student lives more difficult. There was a danger that foreign students would be deterred from enrolling in Australian universities if voluntary student unionism was introduced. As the committee was told:

They see advertising going to other countries—and here is an example from the IDP—talking about clubs and societies and support mechanisms for students, campus life and making friends. We all know that if you come from another country to study in Australia, the friendship network is the No. 1 issue international students want to maintain. You will not see a submission from international students because of the issue of their visa. We know the international students have gone to some of their consuls and that will take up a different angle, because the consuls will get involved. They are saying, ‘Here is a country which is advertising these support services for students when they come to Australia.’

There are nearly 8,000 international students. We have a massive orientation program; three a year. We have support mechanisms. We have associations—about 10 different nationally based associations. As a country we just cannot afford not to advertise the fact that we are providing these services as part of the total education experience in coming to Australia but we cannot then say, ‘Well, we are going to get rid of these services.’ It is an outrageous comment by the government to say that these services are not important. International students do use the services. They are heavy users of it. They do not have a family network; they do not have a friendship network until they come to Australia. What we do is develop that network.¹¹

5.18 The committee agrees with views expressed that foreign students need strong support while in Australia and that student organisations have a responsibility and an opportunity to ensure that, in regard to the socialisation processes that are a part of a broader education, the experience of foreign students is a happy one. Again, utilitarian minds may have difficulty measuring this benefit in monetary terms, but it would be considerable in the long-term.

11 Mr Trevor White, *Hansard*, op. cit., p. 7

Student organisations as anti-competitive monopolies

5.19 The committee notes throughout this report that attempts are made by the Government to fit universities into the corporate mould. The view is put, that as 'enterprises' they need to restructure themselves to meet the world on more commercially advantageous terms. They also need to conform to the rules of enterprise culture.

5.20 In evidence to the inquiry into the Trade Practices Act 1974, DEST claimed that automatic student unionism tended to be anti-competitive because it was a barrier to entry for other providers, on and off campus, who would contribute to a competitive market.¹² The problem with arguments that are made straight from economic theory textbooks is that they often ignore particular circumstances of market operations, and assume that social utility is irrelevant unless it can be measured.

5.21 The committee notes the views of the University of New South Wales Student Guild in relation to this. The guild believes that it is not the subsidy provided by the compulsory fee but the highly irregular market of the university that is the deterrent for entry of competing retailers into the campus market.

Student numbers are only at a peak at most six out of the twelve months of the year, which implies that for a private provider to make a profit they would need to charge higher prices to compensate for this fluctuating demand. In contrast, student organisations provide services on the basis of need, and are able to ride through these fluctuations in demand. If the university market were sustainable and competitive, these services would already exist in close proximity to the universities, as they do from some metropolitan campuses.¹³

5.22 The guild notes in this regard that the student organisations at the Universities of Adelaide, Melbourne and Sydney are nevertheless operating in competitive markets, with outside, private service providers offering services within immediate proximity to the university.

5.23 The UNSW Student Guild refers to the DEST submission to the TPC inquiry, pointing out that it does concede that:

Services such as welfare could not exist without the subsidy provided by compulsory student fees. Further, DEST acknowledges that the services provided by student organisation are beneficial to the communal interest. In light of the assertions made by DEST on behalf of the Minister, and the counterclaims of its unsustainability, neither DEST or the Minister are yet to

12 DEST Higher Education Group, Submission to the Inquiry into the Trade Practices Act 1974, p. 5

13 Submission No. 342, UNSW Student Guild, p. 23

release a sustainable plan for the provision to services to the student body after the introduction of the proposed OMSO legislation.¹⁴

5.24 The committee notes the submission from the James Cook University Postgraduate Association drawing its attention to a recent ACCC ruling on membership of student organisations at James Cook University. The ACCC was asked to investigate whether compulsory payment of student organisation membership fees constituted ‘third line forcing’.¹⁵ The submission notes:

While the ACCC was not asked to assess universal membership of student organisations *per se*, it did find that the compulsory payment of student organisation membership fees did not constitute third line forcing. Importantly, the ACCC concluded that the university would require the fees in order to provide similar services to the student organisation if those organisations did not themselves provide such services. Thus, it concluded, either way, students would have had to pay a fee. Indeed, there was suggestion by the University that should it take over these service provisions, the costs may in fact increase whilst service provision may decrease. This was due largely to the fact that the University would not be able to rely on volunteers to carry out service, and would have to weigh additional employment costs against service provision.¹⁶

5.25 The committee notes that the draft decision of the ACCC issued in October 2002 went against the university, but this was reversed when additional information was provided showing why its conduct was in the public interest, including that the current arrangements ensured the independence of the James Cook Student University Association to represent students. The committee hopes that the spirit of this judgement will have some influence on the Government. The ACCC has never been backward in upholding the principles of the free market.

Privatisation

5.26 The question was raised in 1999, and is raised again here, as to whether services now provided by student organisations could be replaced or complemented by the services of private contractors. Obviously, whether this is practicable depends on the size and location of the university. As an ACUMA representative told the committee:

The first [consideration] ...is that if you take the smaller rural and regional campuses, the economic reality of running those services is probably not what the commercial environment would think is financially viable to

14 *ibid.*

15 Section 47 of the Trade Practices Act prohibits, in most cases, exclusive dealing. Third line forcing is defined as a specific form of exclusive dealing which is prohibited regardless of its effects on competition.

16 Submission No. 463, James Cook University Postgraduate Students Association, p. 9

operate, so I think the small campuses are going to have a real problem getting commercial operators to run those commercial services.

The second thing is that the commercial activities that your question is about is a very small part of a lot of unions' activity. Even if you take this building here, sure, there are shops in here and there are food outlets, but there are also a lot of welfare services, there are a lot of services related to clubs and societies; there are orientation activities; there is support for international students. All those services no-one in the commercial world would ever dream of trying to run because in fact they are subsidised services, and that is the whole philosophy of why we exist. There are some areas where the students do have to contribute as they use the service—in other words, they are buying a pie or buying a sushi or whatever—but there are also lots of services that, just to open any of the union buildings at our place at RMIT, it is a million dollars before we start, just opening the buildings. A commercial operator is not going to come in and operate a building for us because we have to pay for the operating costs and the cleaning and the maintenance.¹⁷

5.27 Additional evidence complemented this:

The other example which my colleague just mentioned is that these businesses are not really all that viable for private enterprise: for example, just this year the university decided to outsource its catering to a number of individual food outlets. One of those has already folded because it can see, for the next three or four months, there will be almost no business before students return in February. They have cut their losses and are leaving now. Two or three of the others are looking at their options because they have not been able to generate the sort of interest and turnover they need.¹⁸

5.28 The committee considers it likely that in the event of this bill passing, universities would need to heavily subsidise the operations of student amenities. The administrative burdens on universities would be considerable and they would face such problems in relation to the peaks and troughs of the academic year as described below:

Quite often there are subsidies provided to the commercial operators. I should note that there are a lot of commercial operators in the campus services sector already. On pages 3 and 4 of our submission we listed the five main groups. The fifth main type of campus service providers in Australia are the commercial operators who will come on campus with some sort of a franchise arrangement. I would estimate that they already account for about 15 per cent of the turnover of the industry. That sector is growing quite rapidly. The commercial providers are growing quite rapidly as part of the sector, but in many campuses it is an artificial environment, from a true commercial perspective. It is quite difficult to attract commercial operators on to the campus. It often involves protracted negotiations, where you meet

17 Mr Trevor White, *Hansard*, op. cit., p. 5

18 Mr Greg Mahney, *Hansard*, Adelaide, 1 October 2003, p. 5

their fears about whether or not they can make the business work in a campus setting.¹⁹

5.29 The committee was interested in the Western Australian experience of universities living under a VSU regime until recently. The committee was told that not only did the guilds suffer as a result of the reduced activity on campus, but so did a number of private businesses associated with the student associations. The guild at Murdoch University was unable to keep generating activity and flow-through onto its premises. A computer shop went out of business following the introduction of VSU, as did a record and CD shop and a ticketing agency. A bank took away its ATM. These things have not been replaced by anything else. There is vacant land and buildings at Murdoch University as a result.²⁰

Financial costs of ending automatic fees

5.30 The committee is unaware of any cost projections by DEST on the effects of the abolition of automatic student organisation fees. If such work has not been done, this is an unfortunate omission in policy planning. The committee is also unaware of any cost projections, produced by universities, who might assist in the consideration of the Government's policy position on this matter. The cost, should the bill be passed, will be considerable.

5.31 First, there is the cost to be borne by student organisations. Based on Western Australian experience, it is estimated that, if fees became optional, the revenue base derived from these fees would contract dramatically and swiftly.

5.32 ACUMA estimates that sector wide fee revenue would drop to roughly 25 per cent of current receipts. A 25 per cent reduction would mean a fall from roughly \$230 million per annum to about \$60 million per annum. In addition there would be a reduction in the receivables derived from amenities and services fees of some \$150 - \$200 million per annum. This would almost certainly create a flow-on effect to the other classes of receivables (which total some \$800 - \$850 million per annum) for the campus services sector. ACUMA gave an example of adverse flow-on.

Suppose for example a regional university student guild sought to lease space within the guild building to a commercial café bar operator. The café bar operator indicates that it will not be commercially viable to operate the business on that particular campus given the academic year only runs for 34 weeks and there are the remaining 18 weeks of the year when takings will be but a fraction of the normal takings per week during the academic year. The guild responds to these commercial concerns on the part of the café bar operator by offering a subsidised rental on the premises in the guild

19 Mr Peter McDonald, *Hansard*, op. cit., p. 6

20 Mr Greg Mahney, *Hansard*, op. cit., p. 6

building. The subsidy is provided from the amenities and services fees compulsorily charged to the students as a condition of enrolment.²¹

5.33 The reverse multiplier effects of a dramatic decline in student organisations' fee receipts will have the effect of driving to the wall the small businesses relying on them. This phenomenon is often observed in shopping malls whenever a large retailer decides to relocate. One by one, small businesses fall like dominos.

5.34 ACUMA estimates that gross sector-wide receipts would be halved in the event that student organisations relied on the voluntary payment of an amenity fee, that is, from about a \$1 billion per annum to less than \$500 million per annum, in the years following any move nationally to make the amenities and services fees an optional payment by students.

Service losses

5.35 To obtain a more industry focused assessment of the types of campus services which could be at risk, ACUMA has recently surveyed its membership nationally to find out what types of services would be the most likely to be curtailed in the event that amenities and services fees were not available. Responses included:

- Student employment services
- Childcare
- Welfare services
- Student leadership
- Student development & activities
- Orientation and transition to university
- Cultural development
- Entertainment
- Information services
- Safety/shuttle buses
- Subsidised health services
- Resource centres
- Theatres & galleries
- Student lounges
- Meeting rooms
- Diary/magazines/publications
- Student insurance
- Student loans
- Sport & recreation
- Commercial services
- Accommodation referral services
- Legal services
- Postgraduate support
- Mature age student support
- International student support
- Distance education support
- Visual & performing arts
- New buildings

5.36 The ACUMA membership was also surveyed to determine estimates of job losses in the sector. Members responded that some 1,400 jobs in total would be lost nationally within the sector with somewhat over half of these jobs being part time positions. This is considered a low estimate by ACUMA because not all affiliates completed the survey.

21 Submission No. 472, Australian Campus Union Managers' Association (ACUMA), p. 6

Conclusion

5.37 The committee opposes this bill because any examination of the issue on its practical merits shows it is fatally flawed. There is no other way for a satisfactory level of service to be provided for students except through student organisations which, as they run at cost, depend on the fees paid by all students to run the range of services they do. Given the peculiar circumstances of running services on campus it is highly unlikely that any contracted private provider or business could offer the range or quality of basic amenities that students currently enjoy. As for the services which are peculiar to the needs of students, these could in most cases not be provided, even by the university. Student organisations are a ‘natural monopoly’, the removal of which would result in a marked deterioration in student services and a considerable loss to university life and culture.

5.38 The committee recommends that the Higher Education Support Amendment (Abolition of Compulsory Up-front Student Unions Fees) Bill 2003 be withdrawn. The committee also recommends that the requirements in this bill relating to compulsory student unionism be removed.

Recommendation

That the Higher Education Support Amendment (Abolition of Compulsory Up front Union Fees) Bill be rejected in its entirety.

Conclusion

The committee considers the policy known as *Backing Australia's Future*, and its implementing legislation, to be unconscionable in almost every respect. At its core is the intention of diminishing the role and status of universities through heavy-handed regulation. Universities are to be reduced to being 'higher education providers': selling a service to a purchaser, the Government, on terms dictated by the Government, and at the non-negotiable price the Government is willing to pay. While the Government proclaims its interest in quality, diversity, equity and sustainability, universities will be subject to treatment which will diminish their academic freedom and restrict their course offerings as well as reducing access for poorer people. The legislation will compromise the capacity of the sector to grow and to meet the increasingly complex needs of the nation.

The nation's higher education system is being turned upside down by the provisions of this bill. Such a radical attack on the fundamentals of our universities was never foreshadowed or discussed during the Government's review process. The sector and the community have not given their consent to the uprooting of the nation's university system. The Government does not have a mandate to implement such changes.

This committee is of the view that the bill is so badly flawed that it does not deserve a second reading. If, however, the Senate should grant it one, the bill would require wholesale rethinking and redrafting.

The Government has repeatedly urged the rapid passage of their bill, supposedly in the financial interests of the sector. This is sheer scare mongering. There is continuing funding in the HEFA Act. Universities will not be left in the lurch if the bill does not pass this year. There is time to get this right.

The committee fears that the legislation will introduce a 'brave new world' of compliant institutions stripped of their autonomy and academic freedom. Commonwealth Grant Scheme must ensure both financial security for universities and guarantee their independence. There must be a strong element of trust and respect between and among the institutions of government and free institutions which mould a cohesive civil society. The current bill shows scant respect for universities, to the extent of avoiding the use of the term 'university' on the pretext of drafting convenience. The bill must therefore uphold the autonomy of universities and allow the constituent parts of universities to make their own decisions and make their own arrangements of their affairs, without government meddling.

The legislation must consider the needs of students whose skills and learning are the key to the future of the nation. There is a bitter irony in the fact that a generation benefiting from a relatively easy access to university education through generous scholarships and proper funding is now denying these same opportunities and funds to its children and grandchildren. This is occurring so that the beneficiaries of affordable education over 20 years can extend their prosperity at the expense of future

generations. The bill must be recast to offer proper student income support. It should recognise that education is an investment in people, in community service, and in economic and social stability.

The evidence gathered by the committee has revealed desperation among universities, indicated in most cases by vice-chancellors who face a humiliating trade off between money and maintaining control of their own affairs. The promise of increased funding is dangled before their eyes, but they are aware that the cost is subservience to bureaucratic control. An impression was gained that the more optimistic vice-chancellors believed that something would be worked out in time for the bill to pass the Senate: that the Minister could be appealed to; that good sense would prevail. Vice-chancellors live in a world of rationality and regard for evidence-based learning. Some of the flavour of this is picked up in evidence given by Deputy Vice-Chancellor Alan Robson of the University of Western Australia

We accept some elements of the package as proposed and we oppose some of them. We would hope to improve some aspects of the package and remove others. However—and this is very important—a simple rejection of the package in total and defaulting to the status quo is not a responsible option. Policy reform is critical and there is no time to delay.¹

None of the improvements or deletions of uncomfortable provisions have come to pass, and as this report is tabled it is the AVCC, not the Government, which has made the concession: and one which offends to a degree against principles discussed in the paragraph above on autonomy.

There is a small irony in the fact that what the vice-chancellors have compromised on is the representative role of governing councils and senates, which are to be transformed into boards of directors, if the bill is passed. The limited numbers of universities having parliamentary appointees will also lose these, as the vice-chancellors have agreed. It is appropriate, however, that these agreements will need to be approved by parliamentarians in the Senate. This committee will recommend that they reject this proposal and every other nefarious attacking clause in the bill which threatens universities and all those who benefit from their service to the nation.

1 *Hansard*, Perth, 30 September 2003, p.70

Government Senators' Report

A sound process as a foundation for a sound policy

The Higher Education Support Bill, currently before the Senate, implements a policy which has been developed through a most exhaustive and rigorous process of public consultation. The Higher Education Review process, known as *Crossroads*, has been widely accepted as a successful strategy for developing a new policy framework for higher education. The resulting proposal for reform of higher education funding and management is set out in *Our Universities: Backing Australia's Future*, and will be implemented through the Higher Education Support Bill and its companion legislation.

A number of submissions acknowledged the success of the *Crossroads* consultative process. Professor Bruce Chapman, so often quoted in the majority report, said:

...I thought that the Crossroads process was a productive one. It was carried out in a very inclusive way. I think the minister and the department have done their best in an open-minded way to seek consultation in a way that I think is a template for government inquiry.¹

The overview paper *Higher Education at the Crossroads* was released in April 2002, and the Government invited submissions addressing the issues in the paper. A number of issues papers were published over the following months to expand on matters dealt with in the overview paper. More than 700 submissions were received in response to the issues papers, and beginning in September 2002, a series of 49 forums were held around the country with about 800 stakeholders participating. The Government's response to the Higher Education Review was announced on 13 May 2003 in the 2003-04 budget papers.

Crossroads was a process within which university stakeholders could address fundamental problems and consider the imperatives that are increasingly confronting universities. Above all, it was a process which led to stakeholders acknowledging the need for a significant culture change as a precondition for the educational and administrative changes required to make universities successful in the 21st century.

The business of policy creation

The report of the committee majority makes two accurate observations about *Backing Australia's Future* and its associated legislation: first, that it involves change of a fundamental and far-reaching nature; and second, that the various elements of the legislation form a coherent strategy even in matters which may not appear at first glance to be relevant to higher education reform. The majority report claims that there is a sinister element to this second aspect of the legislation. This reveals the

1 Professor Bruce Chapman, *Hansard*, Canberra, 10 October 2003, p. 25

opposition's anachronistic mindset and unwillingness to accept the need for a culture change in the way institutions are organised and managed if they are to survive the challenges of the next half-century. It is the responsibility of governments to drive agendas that anticipate changing economic and social conditions. The performance of the higher education sector is only one variable, or one element, in a complex interplay of forces which will determine whether the country maintains and increases its prosperity and well-being over the long-term.

Policy creation is almost always incremental. Making policy about universities often has to be as they have been in existence for a thousand years, and established in Australia for over 150 of those years. Since 1974, higher education has been the full responsibility of the Commonwealth, except that the foundation acts of universities tie them to relatively minor obligations of state and territory legislatures. The so-called Dawkins reforms of 1988-89 introduced massive structural changes, notably creating a single tier of universities with theoretically equal status and access to public funding, and introducing the Higher Education Contribution Scheme (HECS) which placed some obligation on the beneficiaries of higher education to make a contribution towards its costs. HECS was an innovation imitated in several countries, most recently, by Britain. It carries a strong equity dimension, allowing students to defer paying their fees until they can afford to do so. HECS is an important evolutionary element in the necessary changes proposed in the Higher Education Support Bill.

HECS contributions were increased from 1997, as a means of responding to the fiscal problems associated with the large deficit inherited from the Keating government, without sacrificing equity of access to higher education. Student contributions to the average cost of a place increased from 18 per cent to about 25 per cent between 1997 and 2003.² A self-funding loans scheme for postgraduate students, known as PELS, commenced in 2002, but is destined to be short-lived; its functions being subsumed by a new loans scheme, FEE-HELP provided for in the current bill. The Government released a research policy, known as *Knowledge and Innovation*, in 1999, and another, *Backing Australia's Ability*, in 2001. Together, these policies saw the introduction of performance based funding for block research, improvements to the quality of research training, encouragement of the commercialisation of research, and from 2001, a substantial injection of direct funding. The new Australian Research Council is now running an improved grants program, and four national research priorities have been identified.

Another innovation was the 1998 change to allow universities to fill additional places (after government subsidised places were filled) with domestic full-fee paying students. Currently these fee paying student students can comprise no more than 25 per cent of students in a course. In the legislation under consideration by the Senate, this limit will be raised to 50 per cent.

2 *Higher Education at the Crossroads: Ministerial Discussion Paper*, DEST 2002, p. 7

The policy changes in this legislation have become necessary because of pressures that are building up in the higher education sector. Paradoxically these pressures result from the strains associated with strong growth over recent years and the serious consequences that would attach to any faltering of this growth. Universities are now 'enterprises' in a sense that would not have been understood in 1974, and are subject to different forms of market pressures, in addition to the pressures common to educational institutions. These pressures are being felt unevenly across the sector, and are manifest in different ways, but it is becoming clear that current financial, and importantly, revenue constraints, are in danger of stalling growth and development.

Trends in university revenues provide an indication of the extent of sectoral growth and change: total revenue has almost doubled over the past decade, from \$5.5 billion in 1991 to \$10.4 billion in 2002. Over the same period, non-government sources of income also doubled as a proportion of total income, moving to an average of 55 per cent of total revenue across the sector up from about 40 per cent in 1991.

Other significant changes have taken place in relation to, or in response to, the revenue changes. For instance, the Dawkins reforms provided a direct impetus for structural and administrative changes in universities, including more 'corporate' style management arrangements. University foundation acts have been amended in most states to reflect the more 'enterprise' approach to education. These amendments have in nearly all cases been initiated by universities and passed at the request of universities. There has been significant movement to expand the market for foreign students, who now provide an important source of revenue. Over 15 per cent of student enrolments in 2001 were overseas students. The international student market is volatile, and Australia's share cannot be taken for granted. The fact that it is precarious, being subject to factors beyond the powers of universities to control, like the currency markets, is another pressure on universities to do what they can to sustain the demand. The development of collaborative research ventures with the private sector and other commercial endeavours and arrangements, including the operation of campuses abroad, have also raised the stakes in the creation of a new culture in universities with a focus on enterprise, a change which some stakeholders in the institutions continue to resist.

These and other developments in universities over the past ten years indicate that the higher education sector is ready for the next phase of reform. A number of references have been made to the Dawkins reforms, which were successful as transitional reforms. Their success can be measured by the fact that they enabled the Coalition government from 1996 to extend these policies to limits which may not have been envisaged in 1988. In one respect, however, they were a regressive step. The binary higher education system – universities and colleges of advanced education – at least provided a diversity of institutional functions and specialisations that many claim is missing from the current 'comprehensive' sector model. It is possible that what Minister Dawkins joined together in 1988-89 may, over time, be unravelled by the forces of education markets into a more diverse set of institutions. And some institutions may find themselves fulfilling a different role to that which they did prior to the introduction of the Unified National System.

The core to reform: financing higher education

The most obvious and serious problem facing universities is one of long term sources of financing. There is a general acceptance that there cannot be complete reliance on the public purse to maintain and fund the expansion of the sector. Commonwealth funding as a proportion of total university receipts peaked about 1982 and then began to decline. This trend reflects the fact that funding of higher education ultimately reflects national expenditure priorities. In the very recent discussion about the budget surplus, there was much speculation about alternative uses for this surplus. We should not be surprised that health care needs were most often raised as an expenditure priority. The current measures for funding higher education reflect a pragmatic acceptance of the need to make the best use of scarce resources.

The majority report is not inaccurate in its observations about the Government's view of the limitations of public funding of universities. However it gives little emphasis to the fact that there is a large degree of policy overlap between the major political parties, in so far as the Hawke Labor government introduced HECS, and the Keating Labor government first moved to reduce the rate of indexation in its 1995 budget. In opposition, Labor has been caught in a time warp moving in its policy towards a greater reliance on the public purse in response to the pressure of its loyal and active constituents.

The submission which makes a number of cogent points arguing the wisdom of not relying solely on public funding to provide a quality higher education has been provided in a paper given by the Warden of Trinity College in the University of Melbourne, Professor Donald Markwell,:

The size of the increase in expenditure in the Crean/Macklin package over the Nelson package appears to be only \$840 million over four years. While this sounds like a lot of money, it is actually far less than the operating budget of the University of Melbourne for one year – a single year's operating budget of one university spread over all 37 universities over four years. This really is a relatively modest increase, and we need a massive increase in the funding of our universities: not a modest one.

We cannot rely on that public funding ever being delivered, or on being maintained amidst the vagaries of public funding, of budget 'black holes' and budget cuts. This, after all, is why we are in our present pickle: because our universities relied so heavily on public funding, and this has been tightened bit by bit over the last two decades. To rely again on public funding being sufficient for our needs would represent, as Dr Johnson said of second marriages, the triumph of hope over experience.

The reliance on public funding also gives no particular incentive to our universities to focus on students – but if universities are competing for

student fees, they are compelled to focus on the quality of education that they are offering.³

Professor Markwell's comments are worthy of some elaboration. First, in regard to Labor's funding promise, the comment is accurate simply because a cautious opposition has underestimated the needs of the sector, and it is fearful of the effect of over commitment of expenditure in view of its other plans and the needs of other areas of public expenditure. Oppositions are not usually very proficient at expenditure projections. In fact, the sector requires much more than a government could afford through conventional grants. Second, as Professor Alan Gilbert has reminded us on a number of occasions, governments may have ample goodwill towards universities, but the exigencies of government may not allow this to be manifested in hard cash. Third, there is proof of the value of competition and of efficiency measures that have been placed on universities in recent times. Performance in the sector has improved. There is now much more energy concentrated on growth and efficiency, and universities are rising to the challenge of proving better service to students. But this cannot be guaranteed long term without reform.

Main finance and expenditure elements of the bill

The bill introduced by the Government on 17 September 2003 includes broadly, four main provisions aimed at injecting additional funding into universities. These are :

- introduction of a new Commonwealth Grants Scheme, in place of the current relative funding model, under which the Commonwealth will provide a contribution for each supported student;
- converting, as from 2005, approximately 25,000 marginally funded places to Commonwealth supported places and providing additional places in 2007 to address population growth;
- provision for institutions to set student contribution levels within set ranges, from a minimum of no student contribution to a maximum of 30 per cent higher than estimated HECS contribution rates for 2005⁴;
- allowing universities to enrol fee-paying students up to the level of 50 per cent of places in courses once Commonwealth-funded places are filled.

The cost of these measures, in addition to various allowances described further on, is \$1.5 billion in additional public funding to universities over the next four years. The Government expects that over the next 10 years there will be an additional \$10.6 billion invested, of which about \$3.7 billion will be raised from student contributions.

3 Submission No.384, Professor Donald Markwell, p. 8

4 Except for teaching and nursing where the maximum will be set at the estimated HECS rates for that year

Government senators note that the Phillips Curran report commissioned by MCEETYA to evaluate the Government's package described the total revenue implications for the sector as significantly positive, especially when estimates of potential additional contributions from students are included. Phillips Curran estimate that total additional revenue for the sector could be between \$0.9 billion and \$1.4 billion by 2008.⁵ This represents an increase in dollar terms of between 9 per cent and 14 per cent on total current revenues. Additional student revenue is likely to be proportional to student population, with Victoria and New South Wales together expected to account for up to 50 per cent of total additional student revenue.

Full-fee paying students

Despite criticisms of the package's proposals for full-fee paying students in a number of student union submissions, the majority report has wisely not made this an issue. The proposals simply increase universities' discretion to admit fee-paying students from the current 25 per cent to 50 per cent of places, only after all HECS government subsidised places are filled. Not all universities will take advantage of this additional flexibility, but some universities may do so for high demand courses. Even so, according to Professor Bruce Chapman's evidence before the committee, by 2007 students in Commonwealth supported places are still likely to account for 90 to 95 per cent of all domestic students.⁶

The committee has noted that the University of Melbourne has the largest enrolment of fee-paying undergraduates. The need for this provision, as the Melbourne University submission describes, results from the quota placed on HECS places which are allocated to the university. As demand always exceeds supply, the way to help students who exceed the quota is to admit them as fee-paying students, so long as they meet the academic standards required for entry. This last point is often overlooked by opponents of fee payer entry. There is a misconception about entry standards, leading some student authors of submissions to believe that they would share classes with those whose only claim to merit was the ability to pay for a degree, and whose graduation would have no relationship to academic performance. The submission from Melbourne dispels some of these myths:

The University rejects the idea that enrolling full-fee paying students undermines the merit principle. The 'clearly in' score required of HECS students reflects supply and demand for a limited number of places, not merit, or any minimum ability to required to complete a course. All full-fee paying students meet minimum entry requirements, as do other students admitted on lower than the 'clearly in' score, such as those in equity programs. Many students admitted under the full-fee program would be eligible for a HECS place at another course within the University, and all of them would be eligible for a wide range of courses at other universities. In

5 Phillips Curran, *Independent Study of the Higher Education Review: Stage 2*, 2003, vol.2, p. 2

6 Professor Bruce Chapman, Hansard, Canberra, 10 October 2003, p. 38

2002, the academic performance of the commencing students in domestic undergraduate full-fee places exceeded that of students in HECS-liable places. Australian full-fee students were more likely to pass all their subjects, and to receive a first class honours grade. The strong academic performance of full-fee students demonstrates that the selection process in no way compromises academic standards.⁷ S.165, p.7

Finally, it should be noted that fee-paying students do not take the place of HECS students and may even benefit them, by allowing universities to provide a greater range of courses and higher quality teaching. From this perspective, fee-paying students provide a subsidy for Commonwealth supported students. Given that the provision for fee-paying students allows universities to achieve additional revenue without detriment to other students, Government senators do not fully understand the attitude of the opposition to such enrolments. Even more curious is the contrast between Labor's opposition to domestic fee-paying students and support for fee-paying overseas students.

Key elements of reform

Evidence to the committee was almost inevitably one-sided. A great deal of it was based on misapprehension of changes to the working relationship between universities and the Government. Projections of dire consequences of funding changes were also based on a misunderstanding of the proposed arrangements. Finally, there was emotional opposition expressed toward much needed changes to the way universities order their affairs, including their governance and in their relationships with their employees.

Despite this, there was much favourable comment on the strategic policy directions of the legislation. The Australian Vice-Chancellors' Committee supported the key issues at the heart of the legislation. Among the key strengths of *Backing Australia's Future*, according to the AVCC, is the increased Government investment in higher education through both core funding and additional programs. These increases would reverse the slide in Government investment as a proportion of GDP. The package was also praised for giving universities 'useful flexibility' in setting student charges. The AVCC regarded these measures as a significant first step to ensuring the future sustainability of universities.⁸

Government senators believe that the policy, and its implementing legislation, stand up well under scrutiny as adhering to the principles of equity, quality, diversity and sustainability. This will be identified in the following consideration of opposition comments.

7 Submission No.165, University of Melbourne, p. 5

8 Submission No.417, AVCC, Appendix: Response to Higher Education Reforms in the 2003 Budget, p. 3

Equity considerations

It is noteworthy that the majority report, which made much of the evidence of Professor Chapman, a pre-eminent expert on HECS, did not cite the main thrust of his submission: that the proposed HECS increases are not expected to affect participation rates.

Professor Chapman explained to the committee that HECS debt, as an income contingent debt, was designed with equity in mind. The absence of up-front fees and the absence of a real rate of interest meant that every undergraduate commenced with an equal chance, with rate and duration of repayment dependent on the income level of the debtor. As Chapman explained:

In other words you could say: if you do really well in the labour market, we want you to pay more in the present value terms. You do that by having a system whereby the people who do best early pay quickly—and it would take about four years for a very successful young lawyer to pay off their debt. That means that compared to someone who takes 10 years a person in the former example loses six years of an interest rate subsidy. So, in present value terms, the person who does very well pays more in HECS. That is an important design feature of it, I think, because if you believe that means testing is an appropriate way to organise social policy—and I do—then the next question is: on what basis do you means test?⁹

There is evidence from a number of sources that HECS debt is unrelated to questions of equity. The problem is one of perception, and of limited knowledge of economic theory on the part of commentators and spokespeople for interest groups who are ill-advised. The knowledge we have now of HECS should give us confidence to see it in perspective. As the Melbourne University submission explained:

With an income-contingent loan scheme, affordability must be judged over the long-term, and not against a prospective student's current financial position. Research by the Melbourne Institute for Applied Economic and Social Research indicates that an average graduate with a three-year bachelor degree earns, over a lifetime, \$433,500 more than the average person who completed their education at Year 12. With direct costs and forgone earnings estimated at \$52,500, the net gain is \$381,000. Under the Nelson package, a student at a university charging the full 30% extra on a three year degree would pay \$5,000 more than current price levels. This is much too small a sum to have any effect on the economic viability of undertaking a degree.

The submission further reports that low-income participation has increased significantly. ACER research has shown that between 1980 and 1999, the participation of the children of manual unskilled workers has climbed from 13 per cent to 25 per cent. Chapman comments below on non-academic factors bearing on

9 Professor Bruce Chapman, *Hansard*, Canberra, 10 October 2003, p. 45

equity are relevant in this context, but it is as well to note at this point that year 12 students from low SES families do not do so well at school as middle class students, and are more likely to fall below course cut-off points. However, these are set by universities based on HECS quotas rather than entry standards, so that many potentially successful undergraduates miss out on places.¹⁰ This will be addressed by the increased numbers of HECS places which are created by this legislation.

The fallacy of inequity is particularly evident in regard to low-income earners and those whose employment success is less than was anticipated. Chapman explained how the Commonwealth contribution amounts allowed the Government to maximize social benefit through cross-subsidising courses like nursing (which is expensive to run) by providing less subsidy for courses like law.

Professor Chapman explained in his submission that:

In theory income contingent charge systems are the best way to collect student tuition fees, from both an economic and a social perspective. In practice, HECS has had insignificant effects only on private rates of return to higher education, and apparently no adverse consequences for the access to higher education of those from relatively poor backgrounds. These are important findings when seen in the context of the financial pressures alleged faced in the current university climate. Whether or not there is a funding shortfall, and its origins if it exists, are now explored.¹¹

Ability to pay for university is only one factor determining access to higher education, according to Chapman.

...HECS is less likely to diminish the access of individuals who do not expect to do particularly well in the labour force because of discrimination. The impost of the present value of the charge—the proportion which will have to be paid back—would be lower. That is one point about HECS that matters. The other point is that there are good reasons to believe that there will be price and income support instruments that can effectively change the participation of particular groups, but I would not want this debate to stop at the beginning of the process of the entry into higher education. Family background, family circumstances from age one or less are absolutely critical in determining access to higher education, so the question of student income support through Abstudy or through the old Austudy and believing that you can do major things at the point of entry exaggerates the importance of those instruments. This is an ongoing socioeconomic process which has to be addressed and considered in a life cycle context which is not really going to have a huge impact in year 12.¹²

10 *ibid.*, p.6

11 Chapman, *op. cit.*, p. 13

12 Chapman, *op. cit.*, p. 50

That is to say: the inability of people from low SES backgrounds to attend university has much more to do with levels of aspiration, educational readiness to undertake higher studies, and various social influences, rather than on financial considerations. Another deterrent may have been living costs, but this has now been at least partly addressed through the new Commonwealth Learning Scholarships.

Quality considerations

There can be no doubt that the record of the Government in implementing processes for quality assurance in higher education has been one of its success stories in this portfolio. The establishment of the Australian Universities Quality Agency by MCEETYA in 2000, operating as an independent company, has been recognized as the most effective means of achieving the accountability of universities for the rigour of their performance. The system is built on respect for the autonomy of universities and their independence in setting goals, standards and performance benchmarks. That is, the universities are responsible for self-audits.¹³ This point is stressed because the majority report suggests incorrectly that universities are for all intents and purposes to become outposts of the Higher Education Division of DEST.

An initiative in the legislation arising from *Backing Australia's Future* which received no mention in the majority report and about which little was said at the hearings, is the measure that will see much more emphasis placed on the quality of teaching and learning. A National Institute for Learning and Teaching in Higher Education is to be established to implement this policy. It will have a number of management and liaison functions associated with the promotion of good teaching practice, and will be overseen by the Australian Universities Teaching Committee. The Institute is to receive \$21.9 million each year from 2006. University teachers will also be eligible for teaching awards.

In addition, a Learning and Teaching Performance Fund will be established from 2006, funded at the level of \$54.7 million in its first year of operation, rising to \$83.8 million in the second year. It will focus on improving learning and teaching of undergraduates.

Diversity

The legislation gives the Government some leverage in encouraging more diversity across the sector. It also provides some protection for universities which need to maintain a reasonably broad range of disciplines, particularly regional universities.

To begin with, between 2005 and 2008 almost 25,000 new, fully-subsidised places will be phased in as each institution phases out its over-enrolled places. The 25,000 new places will not necessarily be allocated to those universities which had formerly over enrolled. They will be distributed across the sector taking into account the labour market needs of states and territories.

13 DEST, *The Governance and Management of Universities: Issues Paper*, 2002, p. 13

The Government has given particular consideration to the need to maintain a healthy skills base for teaching and nursing. In addition there will be an additional 1400 medical school places available for HECS students. There will also be 1400 growth places commencing in 2007 in order to give the Government some flexibility in training people for emerging industries or other specialized fields of knowledge. The majority report makes much of the unpredictability of the Government's intended outcomes, but fails to acknowledge the procedures to be put in place to ensure that all universities benefit.

While the Government has built safeguards into the funding to ensure that newer and regional universities will not suffer at the expense of older and metropolitan universities, there will still be scope for the development of a more stratified sector. This has occurred without the reforms now promised, and with them the trend will probably continue. We are also likely to see increased specialisation and the growth in the numbers of 'centres of excellence'. A number of organisations lamented the absence of this trend under current arrangements.

For instance, the Institution of Engineers has argued that resources for engineering education are currently spread too thinly, and suggests that the number of engineering schools be reduced. A less radical suggestion would be to maintain existing numbers of engineering schools, but ensure that they are not all covering the same ground.¹⁴

The matter of sustainability

The majority brands the Government's package as unsustainable on the basis of the likelihood of failure of financial elements provided in the legislation. The first of these is the new arrangement for HECS. The provision of discretion to universities to vary HECS is criticized in contradictory ways. First we are led to believe that the proposal to increase HECS fees, up to the maximum of 30 per cent, will deter a high proportion of potential students from enrolling in university, because of the prospect of an increased level of debt. On the other hand, there is evidence that universities in the regions, including the metropolitan regions, will be unlikely to increase their HECS charges.

The package is sustainable because the universities will receive a boost in income. As the submission from the University of South Australia asserted:

After years of increasing costs of course provision and a failure to counter this with a rise in Government investment, we believe that the proposed increase in Government funds to the sector goes a long way towards increasing the sustainability of Australia's universities. By lifting some of the existing financial restrictions on universities as proposed, the

14 Submission No.347, The Institute of Engineers, Australia, p. 13

Commonwealth will also assist universities in responding quickly to external changes, which in turn will help to achieve sustainability.¹⁵

Government senators believe that the sustainability of the sector rests as much with the invigoration of the sector overall as it does with the take-up of the financial reforms, which, in any event filter through to universities at a variable rate. The effect of the reforms will be to give more confidence to energetic vice-chancellors and to the new governing councils. It will be the culture change in university life and learning which will be the sustaining force.

Contentious issues

Government senators do not shy away from three policies in this package: governance and administration, workplace relations, and voluntary student unionism. It is important to set out the contribution that the proposed reforms to governance, workplace relations and freedom of association, will make to the development of modern, flexible and well-managed institutions of higher education.

Governance

The issue of governance has been considerably overplayed by the opposition. The majority report considers the issue in two parts: the administration of what will be the new Act, and the working relationship that will be developed between the Government agency DEST, and the universities; and the reformed governing bodies of the university.

While the bill outlines in close detail the powers of the Minister and the responsibilities of DEST and the universities, it is not to be taken that the practical functioning of the relationship so clearly defined will see any diminution of the processes of consultation and advice from universities. If the Minister were to exercise power in an arbitrary way the system would break down. The autonomy of universities is real and cannot be overridden by Ministers whatever powers they have without incurring considerable risks. It will be in the best interest of all parties, and certainly in the Government's best interests to ensure harmonious relations with universities. The Government is still bound to a policy of reducing 'red tape'.

The second element to governance is the reformation of university governing bodies. The evidence to the committee suggests that while this issue has excited the committee, it has not excited anyone else. There has been some academic discussion on the varying sizes of governing bodies, and the issue of representation versus board of directors models has been argued around. The question of the constitutionality of overriding state legislation has been raised, but without arousing much interest. Of far greater interest has been the attempts by the opposition to pose as champions of states' rights in an effort to galvanise the states into a show of indignation over them being forced to amend university foundation acts.

15 Submission No.432, University of South Australia, p. 3

Most state government officials who appeared before the committee were principally interested in putting a case for increased expenditure on universities in their states and they all argued that they were underfunded according to population, or population projections, or as a result of some statistical anomaly. They did not appear to be concerned about university governance, although all were well-informed about the issue. The Victorian officials took some pride in the fact that Minister Nelson had used Victorian Government legislation to assist the Commonwealth in drafting its own proposals.¹⁶

It is noted that as this report is tabled, the AVCC is attempting to reach a compromise on governance issues, and has agreed to the Government's main proposals.

Workplace relations

This is a far more important question. Even so, the Government's position needs to be put into context. The Government requires that its workplace relations policy be extended to universities. Much of the debate has been about Australian Workplace Agreements (AWAs). The relevant provision simply requires that AWAs be available, that is, on offer, to employees should they wish to take them up. There is no suggestion that they be imposed, or even urged upon employees.

The NTEU opposes this provision as some kind of 'thin end of the wedge' but their agenda seems focused on maintaining their current industrial relations arrangements without appreciating that these reforms merely give university staff the same opportunities available to the wider Australian workforce.

An alternative policy

One of the terms of reference for this inquiry was to consider any alternative policies. A number of submissions made suggestions, but most dealt with the proposals put by the Government in its bill. Some comments were made about the policy statement of the Opposition, which will be the concluding comment in this report.

When the committee last looked at higher education in its 2001 inquiry, the result was the unfortunately-named report *Universities in Crisis*, as inappropriate a title then as it would be today. The majority report was written in the fortunate circumstances of a Labor policy vacuum. The inquiry was run on a loose rein, being preoccupied with policy-free issues to do with alleged quality assurance problems, sundry scandals in the academies, and the iniquities of commercial ventures. Also to be noted was the total absence in the report of any reference to student support, addressed in the Government's current package.

The Labor Party now has a policy entitled *Aim Higher: Learning, training and better jobs for more Australians*, which shows that Labor has at least learnt something from

16 Dr Terry Stokes, Victorian Department of Education and Training, *Hansard*, Melbourne, 2 October 2003, p. 18

the Government's drafting style. It is a conservative document because it shows all the signs of being a totally 'in-house' production, with perhaps a minor degree of assistance from the NTEU. For this reason alone, it is not to be regarded as an alternative policy to *Backing Australia's Future*.

Although there has been relatively little comment on the policy, the AVCC has done an analysis which should be noted. The AVCC analysis states that the Labor package has strengths, particularly in regard to public investment and indexation, but notes also that:

The package also has weaknesses. Labor has not taken the opportunity advocated by the AVCC to update the funding structure so as to give universities more flexibility to pursue their individual missions. Instead Labor prefers to rely on making the existing arrangements work better. Other than indexation, there is little extra direct investment to improve the quality of universities' existing teaching load, a key pressure point for all universities. The package too often relies on the centrally determined distribution of substantial programs, rather than supporting universities' capacity to determine their individual directions. Finally, the package shuts off some existing sources of private investment and makes no proposals to improve private investment.¹⁷

The majority report is a document with a short life span, whose findings are of transient relevance, and whose policy 'directions' point nowhere.

Government senators urge the passage of the Higher Education Support Bill 2003, and accompanying legislation.

Senator John Tierney

17 AVCC, *Fairness and Flexibility: Ensuring sustainable Australian universities for the future—An AVCC response to Aim Higher: Learning, training and better jobs for more Australians, the higher education policy of the Australian Labor Party*, September 2003, p. 1

Australian Democrats' Supplementary Report

1. Introduction

The Democrats are in agreement with most of the recommendations and observations of the Chair's report. Accordingly, our supplementary comments and recommendations will be confined to additional issues or areas where we have different views to those covered by the Chair.

In 2000, the Democrats initiated a Senate inquiry to investigate the capacity of public universities to meet Australia's Higher Education needs. This inquiry, *Universities in Crisis*, was extensive, receiving 364 written submissions and hearing evidence from 218 organisations and individuals in 13 cities around Australia. It is disappointing that the recommendations contained in the report, *Universities in Crisis*, did not receive Government support or consideration.

The Democrats acknowledge the considerable amount of useful information produced during this committee and its relevance to the current debate on the Higher Education Support Bill 2003 and its companion bills the Higher Education Support (Transitional Provisions and Consequential Amendments) Bill 2003 and the Higher Education Support Amendment (Abolition of compulsory Up front Union Fees) Bill 2003.

2. Overview of the Government's higher education policy

The Government's Higher Education 'reform' package is flawed and contains policy proposals that directly contradict Democrat policy and seriously threaten the sustainability of the sector. The focus of the package is not on improving educational outcomes, but on a market ideology with proposed changes that would result in increased stratification in the sector and, more broadly, within society. The package fails to address the 'crisis' in which our universities have been since the early 1990s, largely as a direct result of poor grant indexation by both Labor and Coalition Governments.

The Democrats have opposed and voted against all attempts to impose fees on students. We have also strongly opposed the decrease in student support measures. We believe access to publicly funded education is crucial to overcome systemic disadvantage and it should be available to all regardless of sex, age, health, socio-economic background, racial or ethnic origin or place of residence.

In addition to the Chair's report, we see the significant cost-shifting to students in the Government's package as a core problem.

Higher education plays a fundamentally important role in our nation and it should not be left to the blunt tool of market forces. The future growth, prosperity and independence of our universities should be ensured through effective Government funding and management.

Increased fees and student debt are the direct results of deregulation. Already, a full up-front fee Bachelor of Veterinary Science degree will cost \$148,000 in 2004¹. This example - and 40% increases in full up-front fees since 1998² - typify the effects of a deregulated system. This type of fee increase can be expected to continue under the Government's proposals and will potentially have huge inflationary effects as qualified professionals increase their charges to enable them to repay their large HECS debt.

University autonomy is essential for academic rigour to be maintained.³ This autonomy is under threat from various aspects of this package (as discussed in the Chair's report). While greater collaboration among universities, industry and other Government agencies may produce economies of scale and critical research masses resulting in significant benefits in the specific area of the collaboration, Australia also runs the risk of losing a great deal of its independent research capability and credibility.

The Democrats strongly support the Chair's recommendation to oppose the Higher Education Support Amendment (Abolition of Compulsory Up-front Student Union Fees) Bill 2003.

Other major concerns expressed in the Chair's report, and shared by the Democrats, include the large amount of detail absent from the legislation. A great deal of information is deferred to guidelines.

A glaring omission in the 'Crossroads' report and subsequent legislation is the issue of student income support. This is also an area that the Australian Labor Party has failed to address in its *Aim Higher: Learning, training and better jobs for more Australians* policy document and during their period in Government.

Prior to this Inquiry, the Government was already aware of many issues in the sector from the *Universities in Crisis* report. The Government, in its review *Higher Education at the Crossroads*, and in the development of the legislation, has ignored the recommendations from the earlier Senate report.

3. The effect of these proposals upon sustainability, quality, equity and diversity in teaching and research at universities

3.1 The financial impact on students, including merit selection, income support and international comparisons

3.1.1 The Impact of Fees

Despite the Chair's claim of HECS operating since 1989 'without arousing opposition', the Democrats have been consistent in their opposition to student fees (including the Higher Education Administration Charge and HECS). We voted against

1 University of Queensland website - http://www.uq.edu.au/study/program.html?acad_prog=2036&page_number=2&year=2004

2 Sources: *The Australian*, 26 January 1998; *The Good Universities Guide 2004*.

3 Submission No. 466, National Tertiary Education Union, p. 51

the introduction of fees for second and higher degrees in 1982 and have voted against all fee increases imposed by Labor and Coalition Governments since.

Graduates who benefit financially from their education pay for that benefit through the taxation system, but those who do not derive a financial benefit from their education will be unfairly punished by having to carry a long-term debt burden. Thus, we believe the Government's reliance on a 'user-pays' system is flawed, and the proposals for increased reliance on student money will only exacerbate the current inequities of the HECS system.

Evidence presented to the inquiry supports the Democrat belief that the current HECS scheme is unfair.

Submissions by the Council of Australian Postgraduate Associations, National Union of Students, ACOSS and other organisations provided evidence of the deleterious effects of the current HECS program on equity groups. Professor Bruce Chapman demonstrated that the introduction of differential HECS in 1997 has increased the disparity of participation rates between rich and poor students by 18% between 1988 and 1998.⁴

We are concerned about the opportunities that will be available for female, Indigenous, low SES, rural, regional and remote students in the proposed Higher Education package.

ACOSS, along with many other organisations, identified debt aversion as a real factor in students deciding whether they will undertake higher education. They conclude that this package will further lower the participation of students from low SES backgrounds.⁵

DEST research shows that the reduction of the HECS repayment threshold has had a negative impact on part-time students.⁶ Evidence from CAPA reported declining fertility and home-ownership rates as a consequence of high student debt.⁷

Recommendation

That the HECS repayment threshold be, at a minimum, restored to average male earnings over the next three financial years.

Recommendation

That the current parental income threshold be lifted.

4 Submission No. 403, Professor Bruce Chapman, p. 12

5 Submission No. 338, Australian Council of Social Service, p. 1

6 P Aungles, I Buchanan, T Karmel, M MacLachlan, 2002, *HECS and Opportunities in Higher Education*, Draft, DEST

7 Hilary Pearse, 2003, *The social and economic impact of student debt*, March 2003, Council of Australian Postgraduate Associations (CAPA)

Recommendation

That the Government provide HECS-exempt places to be allocated to equity groups and fields of study deemed to be areas of national priority, or areas where there is unmet demand for graduates but little private benefit and high public benefit (eg. Indigenous and low SES students, nursing, science and maths teachers).

3.1.2 Loans for Full-Fees

A fundamental flaw in the proposed FEE-HELP scheme is the impact it would have on professional development in services that are already experiencing a shortage of supply of professionals, such as midwives and science and maths teachers.

The Democrats opposed the introduction of the PELS in 2001 and its extension to private colleges in 2002. We do not support proposals to extend loans for full-fee paying courses to undergraduates and all private higher education providers.

The postgraduate qualifications required in numerous professions will be accompanied by the deterrent of interest-bearing loans and uncapped fees. Some of these professions provide relatively low starting-income levels, meaning a long-term debt burden for those students.

Another anomaly of the FEE-HELP scheme is the repayment method. It requires a student's interest-free HECS-HELP debt to be paid off before the interest-bearing FEE-HELP debt. The Democrats have estimated that this could add about \$4,500 to a student's average debt.⁸

The concept of uncapped fees is poor policy and is unacceptable to the Democrats.

Recommendation

That the proposed FEE-HELP scheme be withdrawn because of the considerable evidence pointing to the inequities and hardships it will cause for students.

3.1.3 Student Support

AVCC data on undergraduate student finances confirms the extensive evidence from many student associations to the inquiry, which showed students' financial concerns are having a substantial impact on their studies with 70% of students being forced to work, on average, two days a week during the teaching semester just to survive.⁹

The Democrats are concerned that the current inadequate and restrictive student income support measures are a false economy, and that restricting access to income support prevents many students from entering higher education.

8 Senator Natasha Stott Despoja, (20 May 2003) *Hidden Fee Slug for Students*, Media Release

9 Long and Hayden, *Paying their way: A survey of Australian undergraduate university student finances*, AVCC, 2001

Successive Labor and Coalition Governments have tightened the noose on student support measures, including increasing the age of independence to 25; charging interest on late income support repayments; and, cutting back Rent Assistance.

In 1997, the Democrats attempted to remove taxation from part-time scholarships. We have consistently advocated for all scholarships to be tax-exempt.

Numerous witnesses to the Committee called on the Government to revisit their decision to increase visa application fees from \$315 to \$400.

We support the Chair's conclusion that the proposed student support measures are inadequate, however, we differ in the extent to which we wish to rectify the situation.

Recommendation

That the age of independence be lowered to 18.

Recommendation

That all forms of student income support be raised to parity with the age pension over a 5 year period.

Recommendation

That all Commonwealth education related scholarships be tax free, regardless of the student's study mode.

Recommendation

That the Government reverses its decision to increase visa application fees by \$85.

3.2 The financial impact on universities, including the impact of the Commonwealth Grants Scheme, the differential impact of fee deregulation, the expansion of full fee places and comparable international levels of Government investment

DEST figures on university financing claim no university will be worse off under the new funding scheme¹⁰, however, evidence presented to the Committee was not in agreement. It is interesting to note that the University of Melbourne has not done any conclusive modelling of the Commonwealth Grants Scheme (CGS) because of the many unknowns in the package.¹¹

The Democrats share the Chair's concern over the operation of the CGS and its likely effects of furthering the divide between the historically well supported universities and others, i.e. a move to a binary system and the decline of some universities.

10 *Estimated Impact of the CGS*, DEST - Circulated to this reference committee

11 Professor Gilbert, *Hansard*, Melbourne, 2 October 2003, p. 10

The deleterious effects of the proposed CGS would be felt most by those universities who are least able to exploit the full-fee paying student market. This will impact most on the regions with the greatest proportion of low SES background and debt averse students, in particular, South Australia, Tasmania and rural universities.

The submission by Charles Darwin University stated that even with 30% regional loading under the CGS they would still be financially worse off in the first year of funding.¹² From the evidence presented to the Committee, it is clear that the regional loading component of the scheme will be inadequate to cover the substantial and unique costs that face our regional universities.

Recommendation

That growth funding to institutions be contingent on their capacity to meet agreed targets of increasing participation from indigenous, low SES, rural, regional and remote students.

Recommendation

As outlined in the Australian Democrats' supplementary report to the *Universities in Crisis* report - that at a minimum, university base grants be increased by 20% over 2 years to take account of unfunded changes in cost structures since 1996.¹³

Recommendation

That regional loading be increased and take into consideration the costs of being a multi-campus university.

3.3 The provision of fully funded university places, including provision for labour market needs, skill shortages and regional equity, and the impact of the 'learning entitlement'.

The Democrats believe that access to publicly funded education is crucial to overcome systemic disadvantage and it should be available to all regardless of sex, age, health, socio-economic background, racial or ethnic origin or place of residence. Unfortunately, the Government has not provided enough places to meet demand over several years and has left universities with over 32,000 over-enrolled students.¹⁴

The Democrats support the Government's initiative to remove marginal funding for over-enrolled places, but recognise the need to simultaneously replace this with fully funded places, otherwise there may be compounding negative impacts on susceptible regions from where funding and places are removed.

12 Submission No. 369, Charles Darwin University, p. 2

13 Democrats' Supplementary Report, *Universities in Crisis*, p. 383

14 Submission No. 411, National Union of Students, p. 43

The inclusion of National Priorities to address shortages in specific fields only goes part of the way. To ensure high participation rates in the proposed 'National Priority' courses, places should be HECS-exempt. The Committee was informed that the number of National Priority places was inadequate to address teacher¹⁵ and nursing¹⁶ shortages. This initiative does not go far enough in identifying the full number of National Priority fields or in its support of them.

As the Chair's report notes, there was considerable concern about the Student Learning Entitlement. Further to this, the Democrats are concerned about the implementation costs and ongoing administrative costs for universities and the Department of such a system. The system also has massive privacy implications.

Recommendation

As outlined in the Australian Democrats' supplementary report to the *Universities in Crisis* report - that the Government restore the number of fully funded postgraduate research students to 25,000 EFTSU as part of a 10 year commitment that will stabilise the sector.¹⁷

Recommendation

That National Priority groups include special provisions for equity groups.

4. The implications of such proposals on the sustainability of research and research training in public research agencies

The absence of comment on this issue in the Chair's report reflects the absence of the topic from the review and the proposed legislation. However, we believe that teaching informed by research is a hallmark of a university and thus, it should have been addressed by the Government.

The view of some universities that the proposed funding scheme could result in teaching-only universities¹⁸ needs to be noted as an indication of the seriousness of the possible regressive impacts of this legislation.

5. The effect of this package on the relationship between the Commonwealth, the States and universities, including issues of institutional autonomy, governance, academic freedom and industrial relations.

A fundamental flaw in the Government's approach to the sector is its merging of university and corporate identities. The Democrats reject any assertion of business

15 Submission No. 434, Australian Education Union, p. 5

16 Submission No. 362, New South Wales Nurses' Association, p. 4

17 Democrats' Supplementary Report, *Universities in Crisis*, p. 386

18 Professor Poole, Hansard, Perth, 30 September 2003, p. 127

principles onto universities without the consideration of the broad mission of a university including its relationship with its staff, students and community.

The Democrats disagree with the Chair's claim that the inclusion of provisions on grievance and review procedures is unnecessary and intrusive. While detailing specific grievance procedures is not the role of the Commonwealth, the prescription of the presence and publication of such procedures is a positive step.

The Democrats oppose the Higher Education Workplace Relation Requirements (HEWRR).

The removal of the limit on casual employment levels and any existing arrangements that may be in excess of community standards will cause further deterioration of the scholarly community within universities which, in turn, could result in poorer student learning experiences. The Committee heard that relationships between staff and university management have been strained by seven years of declining funding and increasing workplace demands. Despite this seven-year trial, evidence suggests that staff unions and management have had an effective working relationship.¹⁹

The National Governance Protocols drew criticism from several staff and student organisations. More specifically, they identified the danger inherent in protocol 3 - that members of governing bodies must act 'solely in the interests of the university taken as a whole'. The danger is in the lack of a definition of the 'university's interests' and in who defines them. The Democrats are concerned that, in defining a 'university's interests', a person or persons can provide themselves with greater power than others serving on the governing body.

6. Alternative policy and funding options for the higher education and public research sectors

If the Chair's various amendments were implemented, university funding levels are still likely to be lower than when the Government came to power. The Democrats see this as a failure of the Coalition Government to address the higher education needs of Australians.

Specific policy alternatives to the Government's package and the Chair's report have been detailed in previous sections of this report. The key elements of the Democrats' policy include the removal of financial barriers for students (such as phasing out HECS and other higher education loans schemes; replacing domestic full fee-paying places with Government funded places; and, a substantial increase in funding to allow for significant growth and recovery from the past 10 years of under funding).

The Democrats also recognise the desperate need for a targeted approach to increase the participation rates of equity groups through the provision of scholarships.

19 Bunt, *Hansard*, Perth, 30 September 2003, p. 159

Recommendation

As outlined in the Australian Democrats' supplementary report to the *Universities in Crisis* report - that a term of reference for the cross-sectoral advisory body be ongoing cost-benefit analysis of reporting requirements and provision of advice to the Minister of important gaps in data.²⁰

Recommendation

The lack of thorough and consistent research on educational outcomes by the Commonwealth that can be compared with previous data has made critical analysis, of previous and future changes to the sector, difficult. That the Commonwealth conduct research into the effectiveness and broader social and economic impact of its higher education policies using established benchmarks that will allow historical comparisons of data.

Recommendation

That the number of Commonwealth scholarships for equity groups be increased.

Senator Natasha Stott Despoja

20 Democrats' Supplementary Report, *Universities in Crisis*, p. 388

Australian Greens' Report

Additional Comments

The Australian Greens share the concerns outlined in the main committee report relating to the Government package being a radical shift in university funding from the government to the student and their families. We support the concerns outlined in the main report relating to the impact of fee deregulation on students, the lack of indexation, the prescriptive workplace relations and governance reforms and the proposals to introduce anti-student organisation legislation.

Additional comments and recommendations from the Australian Greens fall into 5 categories:

1. The privatisation and corporatisation of higher education;
2. Public funding of universities;
3. The contribution of student organisations to political life;
4. Regional universities' contribution to their local communities; and
5. Financial support for students living and studying needs.

1. The privatisation and corporatisation of higher education

Chapter 3 of the main committee report discusses the possible implication following from the lack of the word university in the detail of the legislation and the general emphasis in the legislation towards putting in place the mechanisms for a purchaser-provider model for higher education.

There was some discussion during the public hearings of the inquiry about the increasing ease with which private providers can access public subsidies and funding.

Dr Guille, Queensland State Secretary of the National Tertiary Education Union (NTEU) said in Brisbane to the committee:

I am concerned, however, about public subsidies being provided even to the private universities. We are more concerned about the growth of second-tier franchise type institutions, of which there is a number around this area of Brisbane, and whether they should receive public subsidy. As I said, some of the Christian *fundamentalist* ones have not fulfilled the test of being a university.

This issue was further discussed by the NTEU at the Canberra hearings where the comment was made that:

You can bet your bottom dollar that if we start opening up subsidies to private providers we will have an increase in applications for university status. Some of them may be justified but I am quite sure that some of them will not be as well. There is no consistent, clear, national rigorous process that this package sets out that deals with that, and that is a real concern for the union. That is something that we would like to stress quite strongly. The legislation does make some sort of capacity for *AUQA* to be the vetting body for private providers, as one of the hurdles that private providers will have to get over to get funding. That is not why *AUQA* was set up. That is not its mandate, and more work has to be done in this area.

During public hearings discussion often focussed on the impact for universities of a withdrawal of government funding and where they would source replacement funds from. Beyond perceiving students as a funding source there was some discussion about universities responding to the withdrawal of government funding by approaching corporations to make up the shortfall.

The dangers of such an approach were highlighted by many witnesses.

Ms Mills, of the Curtin Student Guild made another suggestion for how businesses could contribute to the cost and benefits they receive from higher education:

... it is not that we do not think that business should pay or contribute towards universities—because at the end of the day they are benefiting from graduates—it is what the businesses are actually getting out of universities in that direct link. That is where we think that perhaps the government should be the intermediary, getting that money from businesses, taxing businesses perhaps, instead of taxing students more. That becomes the intermediary, so that you do not have these compromises of educational quality because business is contributing. But we are not arguing that business should not contribute.

Earlier Ms Robinson, the President of UWA Student Guild commented that:

The private sector can dictate a university's research priorities, in exchange for funding. It ends up benefiting the industry more than the university.

Students gave examples of the way in which a created reliance by a university on corporate funding was impact on the quality of teaching and research available at the institution.

Ms Loker, President of University of New England Student Association told one such example:

At this university one student who was doing computer science did an assignment on a *Lotus* program, and the course coordinator refused to mark it because it was not done on Microsoft Word. The student took that decision to the head of the school and it was overturned and the course coordinators were forced to mark it. That is a really clear example of the outrageous things that happen when private providers become involved in a university; their profit agendas are what is behind their very involvement in such institutions. I think it is disgusting.

Ms Coopes, President of Charles Sturt University Students Association outlines the essential problem:

It is completely inappropriate to expect universities, whose core businesses are learning and teaching, to go out into the corporate sector to get funding for their core activities. Education is for the public good and should be funded by the government.

Recommendation 1

That core funding be strictly limited to universities as defined in the MYCEETA National Protocols. Any other Government funding to private higher education providers should be limited to institutions which offer courses that both achieve the relevant quality benchmark and cannot reasonably be supplied by a local university.

2. Public funding of universities

The Australian Greens preface these remarks with the endorsement of comment made to the committee by the Vice Chancellor of the University of Technology in Sydney, Professor Ross Milbourne, when he said:

I cannot for the life of me understand why we cannot have the same indexation that is given to the funding of public schools. If that happened, most of the issues that might come out of this package would evaporate...

The Australian Greens note the refusal of the Government to provide for this indexation as a clear indication of an ideological shift in the funding of universities from the public to the private, forcing as it does universities to source core funding from students, their families and the corporate sector.

The inability of the Government to recognise the implications for quality, equity and independence that this model brings is cause for serious concern. The Australian Greens therefore recommend that Professor Milbourne's advice be taken up and an indexation model be devised that plots actual increases in

the costs of providing tertiary education and for funding to be adjusted accordingly.

The Australian Greens note that WCI model proposed by the Chairs Report is an improvement on current practice but still fails to accurately plot the rise in real costs.

Throughout the public hearings of this inquiry debate raged about how our higher education sector should be funded. The clearest distinction was between the Government model as proposed in the legislation that students should pick up the tab for funding universities where the government has left off and the view expressed by almost all witnesses that the Federal Government needs to invest more public money into higher education.

During this discussion the public and private benefits of higher education were much canvassed with several witnesses expressing to the committee the view that higher education was a public good and should be funded as such by the government.

Mr Vijayalingam Nellailingham, President of the Students Association Campbelltown Campus Inc. outlines the position his organisation:

The students association believes that education is a public good, has always been a public good and should remain a public good. For these reasons we believe that education should be properly and fully publicly funded. We should have a *free* education system.

A number of witnesses extolled the virtues of a progressive taxation system including the submission from the executive of the NTEU, UNE Branch 'In short, stripping away the particularities of the present debate reveals that we used to have a perfectly adequate system for extracting higher proportions of tax from higher paid individuals: it was called a progressive tax system.'

Mr McKay, President of the Council of Australian Postgraduate Associations in his opening statement argued that:

progressive taxation should ensure that those who benefit financially contribute back to the system and that it is illogical to condemn those who do not benefit financially from their education to a lifetime of debt and debt burden.

Recommendation 2

That an indexation process, similar to that applying to government schools, be developed to ensure core funding keeps pace with the real rise in the costs of running universities.

That HECS be abolished and all HECS debts be forgiven. That future enrolment be selected on the basis of academic merit and potential only.

As noted in the main committee report, The Australian Greens recommend that in circumstance where HECS remains the repayment threshold should be set at average weekly earnings.

3. The contribution of student organisations to political life

The Australian Greens concur with the comments in chapter 5 of the main committee report regarding student organisations. The chapter outlines the benefits that student organisations provide to campus life with a particular emphasis on the service provision provided by student organisations.

The main report notes:

The Government's moves against student organisations appear motivated by the desire to weaken, if not eliminate, the likelihood of any anti-government political movement among students.

Student organisations combine service provision with representative responsibilities that include political representation and advocacy support roles. The committee during the public hearings discussed with students and vice-chancellors in particular issues surrounding the capacity and willingness of universities or commercial operators to provide the services that student organisations currently provide.

There was also some discussion about the advocacy and representative work student organisations do.

Ms Caroline Vu, President of the UTS Student Association in response to a question about the capacity of universities to pick up the advocacy work that student organisations do said:

It is obviously not necessarily in the university's interests to have students appealing decisions made by lecturers about exclusion, or even grades. Universities would be able to take over services like gyms, cafeterias and those sorts of things, if VSU were introduced. But, with things like advocacy and appeals processes, there is no real reason why the university would take over the services that our caseworkers provide. And there is really no reason that students would want the university to take over that process. Basically, the right to appeal a grade is a student right. I would not envisage that the excellent work done by caseworkers in student unions could be continued. Basically, lecturers would be much more able to make arbitrary decisions in the university process without fear of *retribution*. As appealing a grade is a student right, it would also be a roll-back of the democracy of universities.

Whilst universities may feel compelled to pick up some of the service provision student organisations currently provide if anti-student organisation legislation was introduced, the question remains as to whether universities would be in a position to or whether it would be appropriate that they pick up the advocacy responsibilities currently carried out by student organisations.

The political representation that students organisations provide was only touched on during the public hearings of the inquiry. In response to a question about the impact of anti-student organisation legislation, Professor Gavin Brown, Vice Chancellor of Sydney University said:

I think it would have a hugely negative effect—I really do. I am perhaps a little more to the left of this issue than even many of my colleagues. I seriously believe that experience in student politics or in the *SRC*—that kind of thing—is enormously valuable both to the individuals who participate in it and ultimately to the country in terms of the training and so on they get. Most people are prepared to settle for saying that we want sport, debating and food outlets, and we need to raise fees for that. I am prepared to go much further and say that you should provide students with the opportunity to be engaged in serious political involvement while they are students, because that is ultimately to the net benefit of society.

It was significant to hear a prominent vice-chancellor such as Professor Brown speak so supportively of the opportunities for political representation that student organisations provide.

4. Regional universities' contribution to their local communities

The voices from rural and regional communities and universities that appeared before the committee spoke of the central role that universities play in regional towns across the country.

Ms Coopes, President of Charles Sturt University Students Association outlined the contribution that regional universities make to their community.

Like no other industry, education has the ability to provide sustainable development and improvement for a region. As a seven-campus university which spans a series of diverse regional communities, CSU is a unique demonstration of a truly regional university which engages extensively with its regions. This goes beyond the fiscal benefits of employment and economic flow. Regional universities serve their regions. They engage in community projects, provide state-of-the-art facilities for local communities and create cultural, intellectual and human traffic within and between regional and metropolitan centres.

The elusive concept of the Australian identity is often referred to in rural and regional terms. The little Aussie battler was born on a

property and, sadly, it seems that the little Aussie battle will remain there. The regressive and draconian Nelson reforms, which create a two-tiered system, deny regional Australians so much. They deny us access to a diverse and equally valuable regional institution which will retain Australians in the regions by choice. They deny many students access to university much more insidiously at square one by pricing them out of youth allowance through a grossly unjust means test, which counts land as an asset. They deny students from low socioeconomic backgrounds the opportunity to escape the cycle of poverty by making education a market driven commodity.

The 'make the poor pay more' problem is endemic throughout the proposed reforms. It is a harsh reality that regional universities will be demoted to vocational specialist institutions which will be forced to raise their fees in order to save their reputation or lower their fees to maintain their mission of providing affordable options at the expense of quality and sustainability. There is already a perception that those who charge more, provide more. Emphasising the private benefits of tertiary education furthers such elitist views.

Ms Loker, President of University of New England Student Association counteracted the government position on regional universities succinctly in her exchange with Senator Tierney:

Senator TIERNEY —That is why we have put a regional component in the package.

Ms Loker —But the regional component does not make up for that shortfall in funding.

The consequences of the package for employment in regional communities were also canvassed.

Students from regional universities proposed mechanisms for keeping students working in regional centres after their university studies.

Ms Loker, President of University of New England Student Association stated:

Having studied in the region prompts them to come back and work in the region after they have graduated. I think that it ties in with the issue of lack of diversity and lack of choice for regional communities. If we were to take an approach that valued and encouraged diversity in the regions and increased new subject areas in the regions, that could help to rectify the problem as well, because we would have people studying medicine in Armidale. As the statistic says, a lot more people would be more inclined to come back or stay and work in the region they had graduated from.

Recommendation 3

That the Government recognise the special challenges that rural and regional universities face and provide the additional costs incurred in meeting those challenges. That these costs be reflected in a core funding formula that gives appropriate weighting to regional and rural universities enabling these institutions to deliver comprehensive course offerings and university environment.

5. Financial support for students living and studying needs

The Australian Greens note the universal recognition amongst the peak representative bodies in the tertiary sector (AVCC, NUS, NTEU, CAPA) that student financial hardship is worsening and that the Government can and should do more to address the problem. The Australian Greens endorse the comments of the AVCC in their study *Paying Their Way: A Survey of Australian Undergraduate Student Finances, 2000* when it states:

Government income-support programs are very important in allowing less financially advantaged students to continue studying, but many concerns were expressed that the level of income support is too low and that access to the schemes is too restrictive. Austudy recipients are disadvantaged compared with Youth Allowance recipients because they are not eligible for 'rent assistance'. Because of the way in which the programs are structured, Youth Allowance and Austudy recipients have a strong financial disincentive to work more than about a day a week on average throughout the year. The total income from income support and limited part-time work, combined with educational expenses, leaves participants in these programs financially vulnerable.¹

The Australian Greens endorse many of the recommendations made to the committee by the UNSW Student Guild as a way to address these serious deficiencies.

Recommendation 4

That the Commonwealth Government replace Youth allowance and Austudy with one simple payment that incorporates the following measures;

- 1. The age of independence be reduced to 18;**

1 Michael & Hayden Long, Martin, "Paying Their Way: A Survey of Australian Undergraduate Student Finances, 2000," (Canberra: Australian Vice-Chancellor's Committee, 2001).

- 2. The eligibility criteria should not be based upon previous personal earnings;**
- 3. The personal income threshold (current set at \$236 per fortnight, without affecting benefit payments) should be increased to a more realistic figure;**
- 4. The Parental Income Test cut-off threshold should be increased to allow greater access to higher education;**
- 5. That same sex couples be recognised as de facto relationships for the purposes of income support measures including student income support;**
- 6. All postgraduate awards are redefined as 'approved courses' for the purposes of rent assistance;**
- 7. As a minimum, provide students with benefits consistent with the Henderson poverty line; and**
- 8. That these benefits be indexed to the Consumer Price Index, with reference to the Henderson poverty line.**

And that ABSTUDY be maintained as a separate scheme, and that within this payment structure:

- 1. All supplementary benefits, allowances and payments available under the ABSTUDY scheme be maintained;**
- 2. All payment structures be endorsed and approved by the relevant indigenous community organisations;**
- 3. Any future rationalisation of the ABSTUDY allowances only occur after sustained and authentic dialogue with Indigenous communities across Australia; and**
- 4. The changes made to ABSTUDY in the 1997-1998 Commonwealth Budget be reversed.**

List of Recommendations

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Recommendation 2

That an indexation process, similar to that applying to government schools, be developed to ensure core funding keeps pace with the real rise in the costs of running universities.

That HECS be abolished and all HECS debts be forgiven. That future enrolment be selected on the basis of academic merit and potential only.

As noted in the main committee report, The Australian Greens recommend that in circumstance where HECS remains the repayment threshold should be set at average weekly earnings.

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The Australian Greens recommendations in the main committee report noted.

That in order to meet the current levels of unmet demand for a university place from qualified applicant and additional 50,000 full and part-time commencing university places be created.

Senator Kerry Nettle

Appendix 1

List of submissions

- 1 Dr George McIlroy, NSW (hard copy only)
- 2 Ms Sylvie Ellsmore, NSW (hard copy only)
- 3 Mrs Claire Givotto, NSW (hard copy only)
- 4 Mr Bill Whily, NSW (hard copy only)
- 5 Ms Michelle Donaldson, NSW (hard copy only)
- 6 Mr Tim Chapman, NSW (hard copy only)
- 7 University of Melbourne - Post-Graduate Student Association
form letter - several students
- 8 Professor Robert Brooks (RMIT Business)
- 9 Ms Nina Lucas, ACT
- 10 Ms Deborah Cleland, ACT
- 11 Mr Conan Rose, ACT
- 12 Mr Mark Wood, NSW
- 13 Ms Anne Marie Collins, QLD
- 14 Ms Georgia Lewer, NSW
- 15 Mr Benjo Keaney, (ANU Environment Collective), ACT
- 16 Mr Steve Gibbons MP, Federal Member for Bendigo
- 17 Mr Evan Hynd, ACT
- 18 Australian Catholic University
- 19 Mr Douglas Wardle, WA

- 20 Ms Georgia Kelly, QLD
- 21 Ms Poppy Bevan, NSW
- 22 Ms Suzanne Nenke, WA
- 23 Ms Rachel Taylor, QLD
- 24 Mr/s Gaia Puleston, ACT
- 25 Ms Megan Clark (Southern Futures), SA
- 26 Mr Simon Benedict, Vic
- 27 Ms Elizabeth Dillon, QLD
- 28 Commonwealth Department of Education, Science and Training
- 29 Mr David Barrow, NSW
- 30 Council of Deans of Health Sciences; attachment
- 31 Ms Janet Holly, SA
- 32 Swinburne University of Technology
- 33 Ms Gina Mernone, ACT
- 34 CAUL (Council of Australian University Librarians)
- 35 Piermat (Aust) Pty Ltd
- 36 Ms Sarah Nuttall, NSW
- 37 Mr Patrick May, NSW
- 38 Ms Jemma Horsley
- 39 Mr Pablo Brait, Vic
- 40 Mr Michael Nguyen, NSW
- 41 Ms Anne Keyzer, NSW
- 42 Mr Robert Mason, NSW

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- 43 Ms Jacqueline Weller, NSW
- 44 Ms Michelle Hunter, WA
- 45 Associate Professor Jenny Onyx (UTS University Forum), NSW
- 46 Ms Tiani Hetherington, NSW
- 47 Mr Michael Pratt, NSW
- 48 Ms Rachel Allen, ACT
- 49 Mr Steven Nethery, NSW
- 50 Mr Benjamin Pook, QLD
- 51 Ms Patricia Stephens, NSW
- 52 Details withheld
- 53 Ms Anita Ceravolo, NSW
- 54 Mr Thomas Winchester, SA
- 55 Mr Matthew Loader, SA
- 56 Ms Carly Robinson, QLD
- 57 Ms James Rankin
- 58 Ms Philippa Hetherington, NSW
- 59 Mr/s Tsubasa Masano, NSW
- 60 **Confidential**
- 61 Mr Jarrad Cousin, NSW
- 62 Ms Bernadette Toohey, SA
- 63 Details withheld
- 64 Mr Michael Armstrong, NSW
- 65 Ms Heather Graham, NSW

- 66 Ms Meg Dennison, NSW
- 67 Mr Joel Killey, NSW
- 68 Ms Nicole Lee, NSW
- 69 Ms Eleanor Pratt, NSW
- 70 Mr/s Kyja Noack-Lundberg, QLD
- 71 Ms Kathryn Ticehurst, NSW
- 72 Ms Penelope Lyons, NSW
- 73 Ms Simone Jones, QLD
- 74 Ms Carmel Finegan, NSW
- 75 University of New England, NSW
- 76 Ms Kirsten Mackay, NSW
- 77 Details withheld,
- 78 Mr David Webb, NSW
- 79 Ms Elizabeth Halfpenny, NSW
- 80 Ms Elizabeth Ryan, NSW
- 81 Ms Sylvie Bruce, QLD
- 82 Mr Jacob Tilse, QLD
- 83 The University of Newcastle, NSW
- 84 Mr Erik Carrasco, NSW
- 85 Mr Matthew Carbines, NSW
- 86 Ms Melissa Purcell, SA
- 87 Ms Karen Webb, NSW
- 88 Ms Cerae Mitchell, QLD

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- 89 Mr Trevor and Mrs Janice Knight, NSW
- 90 Mr David Pearson, SA
- 91 Melbourne University Sports Association
- 92 The Hon Peter Primrose MLC, NSW
- 93 Ms Celia Bevan, NSW
- 94 Ms Rene Wooller, QLD
- 95 Ms Sara Creedy, NSW
- 96 Ms Debbie Notara, NSW
- 97 Ms Tanya Myint, NSW
- 98 La Trobe University, VIC
- 99 Ms Samantha Lane, NSW
- 100 Hunter Sports High School students, NSW
- 101 Ms Susannah Fricke, NSW
- 102 Mr Alex Yartsev, NSW
- 103 Ms Samantha Reading, NSW
- 104 Blind Citizens Australia
- 105 University of Sydney
- 106 Ms Kristina Love, NSW
- 107 Mr Newcombe, NSW
- 108 Ms Sara Barnes, VIC
- 109 Mr Robert Zielinski, NSW
- 110 Mr William Pascoe, NSW
- 111 Ms Katrina Morris, NSW

- 112 Dr Katherine Jeffrey, NSW
- 113 Ms Naomi Gough, SA
- 114 Mr Richard Bradbury, NSW
- 115 Mr Michael Kukulies-Smith, ACT
- 116 Ms Jennifer Morrison, NSW
- 117 Ms Vanessa Sammons, NSW
- 118 Mr George Tetlow, WA
- 119 Burton and Garran Hall Members Association, ACT
- 120 Ms Olivia Chiu, WA
- 121 Ms Bernise Ang, NSW
- 122 Mr Stephen Cordwell, NSW
- 123 Mr Felix Eldridge, NSW
- 124 Ms Beatrice Brennan, NSW
- 125 Ms Jennifer Baldwin, NSW
- 126 Australian Geoscience Council
- 127 Australian Publishers Association
- 128 Ms Elizabeth McDonald, NSW
- 129 Mr Robert Baillieu, NSW
- 130 Ms Jennene Marum, NSW
- 131 Ms Katie Williamson, NSW
- 132 Ms Pia van de Zandt, NSW (hard copy only)
- 133 University of the Sunshine Coast
- 134 Mr Stephen McGrath, NSW

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- 135 Mr Matous Bursik, NSW
- 136 Ms Genevieve Shing, NSW
- 137 Ms Emma Inglis, NSW
- 138 Mr Michael Facek, NSW
- 139 Australian Council of Deans of Science
- 140 Mr Joe Li, NSW
- 141 Queer Action collective (QuAC), University of Sydney Students'
Representative Council
- 142 Mr Thorbjorn James Loch-Wilkinson, NSW
- 143 Ms Fiona Morton, WA
- 144 Mr Roy Hopkins, NSW
- 145 Mr Alex Buttfield, NSW
- 146 Business Council of Australia
- 147 Dr Kosta Calligeros, NSW
- 148 Mr Jeremy Lawrence, NSW
- 149 Mr Hannah Brumerskyj, NSW
- 150 Ms Renae Myhill, NSW
- 151 The Hon Dr Meredith Burgmann MLC, NSW
- 152 Mr Christopher Ganora, NSW
- 153 Mr Norman Petersen, NSW
- 154 Mr Cameron Armstrong, NSW
- 155 Ms Amanda Johnson, NSW
- 156 Ms Penny Atherton, NSW

- 157 Ms Christina Norris, NSW
- 158 Ms Kyla Bemner, NSW
- 159 The Australian Liberal Students' Federation
- 160 Mr/s Tu Hao Tran, NSW
- 161 Mr Adam Flynn, NSW
- 162 Mr Vivien Eldridge, NSW
- 163 Ms Tammie Westman
- 164 Ms Grace Fitzpatrick, SA
- 165 University of Melbourne
- 166 The University of Notre Dame Australia
- 167 Mr Glenn Carruthers, SA
- 168 University of Wollongong
- 169 Ms Bianca Bartle, NSW
- 170 Ms Alyssa Scurrah, NSW
- 171 Mr Adrian White, NSW
- 172 Individual Students from the Queensland University of Technology
(hard copy only)
- 173 Mr John Saw, NSW
- 174 Mr Neville Newell, Member for Tweed, The Hon Kim Yeadon, Member for
Granville, the Hon David Campbell MP, Minister for Regional
Development, Illawarra and Small Business (hard copies only)
- 175 Ultimo TAFE Students Network, NSW
- 176 Community Cultural Development NSW
- 177 Ms Myriam Bahari, NSW

179	Ms Philipa Veitch, NSW
180	Clatterbox, NSW
181	Bendigo Student Association Incorporated, VIC
182	Ms Anna Rose, NSW
183	Edith Cowan University
184	Ms Louise Wisser, NSW
185	Ms Barbara Hately, NSW
186	Ms Marita Purins, NSW
187	Ms Amy Plumb, NSW
188, 188A	Mr David Bradshaw, NSW
189	Mr Nicholas Hume, NSW
190	Mr Daney Faddoul, NSW
191	Mr Dan McArtney, NSW
192	Mr John Wood, NSW
193	Ms Christolyn Raj, NSW
194	Dr Arthur Anderson, NSW
195	Mr Nicholas Maconachie, NSW
196	Mr Sam Bobb, VIC
197	Mr Michael Newman, NSW
198	Mr Robert Corr, WA
199	Ms Lucy Clynes, ACT
200	Ms Salina Jamani, NSW
201	Ms Monique Costin, NSW

- 202 Mr Michael Cheng, NSW
- 203 Mr Vincent Ip, NSW
- 204 Mr Joey Quoc Nguyen Le, NSW
- 205 Mr Andrew Ng, NSW
- 206 Ms Kirrily-Rae Warren, NSW
- 207 Ms Andrea Avolio, NSW
- 208 Ms Jan Francisco, NSW
- 209 Mr Arthiparan Sivanandarajasingam, NSW
- 210 Ms Katherine House, WA
- 211 Ms Vanessa Wood, NSW
- 212 Australian Maritime College
- 213 Manby Family, NSW
- 213A Mullumbimby High School P & C, NSW
- 214 The Centre for Independent Studies
- 215 Ms Louise Crossman, ACT
- 216 Ms Kathryn Wood, NSW
- 217 Mr Rudolf Dominguez, NSW
- 218 Mr Andre Venning, NSW
- 219 The Community and Public Sector Union - State Public Services Federation
- 220 Ethnic Communities' Council of NSW Inc - Education Sub-Committee
- 221 Mr Richard Torbay MP, Member for Northern Tablelands
- 222 Mr Bob Phillips, NSW
- 223 Ms Nicola Jackson, ACT

224	Ms Claudine Lyons, NSW
225	Ms Jameel Khan, NSW
226	Mr Antony Bayliss, NSW
227, 227A	The University of Adelaide (227A hard copy only)
228	Northern Territory University Postgraduate Students Association
229	Ms Leah Vos, NSW
230	Mr Daniel Wardman, SW
231	Mr Manohan Sinnadurai, NSW
232	Ms Rebecca James, NSW
233	Confidential
234	Confidential
235	Confidential
236	Confidential
237	Penrith Youth Interagency NSW
238	Mr Rob Campbell, NSW
239	Ms Cathy Rytmeister, NSW
240	Open Learning Australia
241	Ms Sarah Kemp, NSW
242	Mr Anthony Hancock, NSW
243	Ms Rebecca Wood, NSW
244	Ms Jaqueline Mowle, NSW
245	Mr Phillip Collins, NSW
246	Ms Wendy Rees, NSW

- 247 Mr Kerryn Lownie, NSW
- 248 Ms Melanie Tait, NSW
- 249 Mr Graig Harris, NSW
- 250 Ms Anna York, NSW
- 251 Mr Kevin Poynter, NSW
- 252 National Tertiary Education Union - Charles Sturt University Branch
- 253 Australian National University Union
- 254 Ms Kudzai Nzenza Kanhutu, NSW
- 255 Mr Dale Wilson, NSW
- 256 Mr Phillip Quinn, NSW
- 257 Mr Stephen Dziedzic, NSW
- 258 The Civil and Environmental Engineering Society,
University of New South Wales
- 259 UNSW Law Students
- 260 Council of Australian Postgraduate Associations
- 261 Ms Monika Wheeler, NSW
- 262 Mr Peter Manning, NSW
- 263 Mr Alan Baker, ACT
- 264 Mr Ben Chapman, NSW
- 265 Minerals Council of Australia
- 266 Ms Simonil Bhavnagri, NSW
- 267 Mr Eric Bateman, NSW
- 268 Australian Research Council

269	Queensland Tertiary Education Alliance
270	Anglican Social Responsibilities Commission, WA
271	Ms Michelle Parker, NSW
272	Ms Miranda Moir, NSW
273	Ms Amelia Hew, NSW
274	Ms Irena Janjic, QLD
275	Ms Elise Routledge, NSW
276	Mr Sean Quirke, SA
277	The Australian and New Zealand Association for the Advancement of Science
278	Employment Studies Centre, University of Newcastle
279	Mr Timothy House, SA
280, 280A	Victoria University
281	Mr Hayden Waterham, NSW
282	Australian Booksellers Association
283	Ms Naarah Dawes, VIC
284	Ms Rebecca Read, NSW
285	Ms Yvonne Brennan, NSW
286	Ms Emma Gilchrist, NSW
287	Mrs Jenny Chesters and Ms Lisa Chesters, QLD
288	The Queensland University of Technology Student Guild
289	Students' Association Campbelltown Campus Inc
290	Equal Opportunity Practitioners in Higher Education

- 291 Mr Alexander Mustafa, NSW
- 292 Ms Michelle McCormick, NSW
- 293 Mr Stephen Boxwell, NSW
- 294 Bond University
- 295 Ms Melanie Webb, NSW
- 296 Ms Joanna Krips, SA (hard copy only)
- 297 Ms Megan Evans, SA (hard copy only)
- 298 Ms Adelle Neary, SA
- 299 Ms Fay Hardingham, NSW (hard copy only)
- 300 Ms Jodie Jansen, QLD
- 301 Ms Tamsin Lloyd, NSW
- 302 Dr Stuart Rosewarne, NSW (University of Sydney)
- 303 Ms Katherine Kelly, NSW
- 304 The University of Western Australia Arts Union
- 305 Mr Andrew Bain, WA
- 306 Mr Paul Drakeford, NSW
- 307 Dr Daniel Jardine, NSW (Macquarie University)
- 308 Deakin University Student Association
- 309 Mr Asren Pugh, NSW
- 310 The Group of Eight Limited
- 311 Ms Renata Field, NSW
- 312 Mr Ben Howell, NSW
- 313 Ms Sharyn Dickeson, VIC

-
- 314, 314A Curtin Student Guild, WA
- 315 Mr Peter Murphy, NSW
- 316 Victoria University Student Union
- 317 Ms Jennifer Reilly, NSW
- 318 Education Action Group, University of New England Student's Association
- 319 University of New England Student's Association
- 320 Ms Azhar Munas, NSW
- 321 The University of Western Australia Science Union
- 322 Mr Sam Orr, QLD
- 323 Ms Anna Painting, NSW
- 324 Ms Diana Purves, NSW
- 325 The University of New England Combined Student Organisation
- 326 The UNE Sports Association
- 327 Students' Association of the University of Adelaide
- 328 Confidential
- 329 Mr Ben Spies-Butcher, NSW
- 330 Mr Chris Constandinou, NSW
- 331 The University of Western Australia Student Guild
- 332 University of New England Postgraduate Association
- 333 Charles Sturt University Students' Association Bathurst (hard copy only)
- 334 Dr Anne Junor, NSW (hard copy only)
- 335 Macarthur Greens, NSW (hard copy only)
- 336 Mr Michael Janda, NSW

- 337 Western Australian Division of the National Tertiary Education Union
- 338 Australian Council of Social Service
- 339 Ms Rosemary Collins, NSW
- 340 Ms Cecilia O'Brien, NSW
- 341 University of Technology, Sydney
- 342 UNSW Student Guild
- 343 Newcastle University Students' Association
- 344 Ms Olivia Murphy, NSW
- 345 Professor Don Chalmers (University of Tasmania)
- 346 Newcastle University Postgraduate Students' Association
- 347 The Institution of Engineers, Australia
- 348 Student Representative Council, Southern Cross University
- 349 Mr Victor Stamatescu, SA
- 350 Students' Association of Flinders University
- 351 The University of Queensland (hard copy only)
- 352 University of Melbourne Postgraduate Association Inc
- 353 National Union of Students (WA Branch)
- 354 Mr Cristian Gutierrez, NSW
- 355 Ms Mary-Ann Lau, NSW
- 356 Mr Christopher Kiely, NSW
- 357 Mr Bruce Kimball, QLD (hard copy only)
- 358 Monash Postgraduate Association (hard copy only)
- 359 Ms Jane Sampson (hard copy only)

-
- 360 Ms Christine Butler, NSW
- 361 Adelaide University Union
- 362 NSW Nurses' Association
- 363 Central Queensland University Student Association
- 364 Ms Sarah Aitken, NSW
- 365 Mr James Hazelton (Macquarie University)
- 366 Flinders University
- 367 Ms Pamela Howson, NSW
- 368 University of Western Australia
- 369 Northern Territory University
- 370 NT University Students' Union
- 371 Australian Dental Association Inc
- 372 Ms Zoe Taylor, WA
- 373 Mr Ian Macbean, VIC
- 374 Ms Kelly Harvey-Jones, NSW
- 375 Ms Alice Dwyer, NSW
- 376, 376A The Federation of Australian Scientific and Technological Societies
- 377 Ms Claire Goldsbrough, NSW
- 378 Education Action Network of the University of Western Australia
Student Guild
- 379 Mr Rod Russell, NSW
- 380 Ms Felicity Day, NSW
- 381 Dr Adrian Ryan, NSW

- 382 Ms Naomi Godden, WA
- 383 Ms Jan Bell, NSW
- 384 Professor Donald Markwell (University of Melbourne)
- 385 Dhivya Kailasapathy, NSW
- 386 Mr Jack Clegg, NSW
- 387 NSW Medical Societies (Sydney University, Newcastle University and UNSW)
- 388 Mr Leigh Grant, NSW
- 389 Dr Gideon Polya (La Trobe University)
- 389A Dr Gideon Polya (La Trobe University) (hard copy only)
- 389B Confidential
- 390 Mr Nick Manning, NSW
- 391 Academy of Social Sciences in Australia
- 392 Ms Renae Hosie, WA
- 393 Mr John Bartle, NSW
- 394 Mr Jeremy Dwyer, NSW
- 395 University of Tasmania
- 396 Professions Australia
- 397 Ms Kate O'Connor, NSW
- 398 Australian Booksellers Association
- 399 La Trobe University Postgraduate Association
- 400 Mr Carlile Cripps, NSW (hard copy only)
- 401 Ms Erica Jolly, SA (hard copy only)

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- 402 Mr Tony Windsor MP, Member for New England
- 403 Professor Bruce Chapman (ANU)
- 404 Department of Education Services Western Australia
- 405 Mr Gavin Moodie, NSW
- 406 Sydney University Postgraduate Representative Association
- 407 Confidential
- 408 Mr Pat Coleman, QLD
- 409 Mr Christopher Friend, NSW
- 410 NTEU La Trobe, Bendigo Sub-Branch
- 411, 411A National Union of Students
- 412 Australian Campus Booksellers Association
- 413 Women@UTS Crossroad Discussion Group
- 414 UNSW Postgraduate Board
- 415 Australian Industry Group
- 416 YWCA of Australia
- 417 Australian Vice-Chancellors' Committee
- 418 Australian Federation of University Women Inc
- 419 Youth Action and Policy Association NSW
- 420 Mr Paul Campbell, SA
- 421 Australian Law Students' Association
- 422 University of Technology, Sydney Student Union
- 423 University of Western Sydney
- 424 Australian Nursing Federation

- 425 National Organisation of Labor Students
- 426 Mr John Broomhead, NSW
- 427 AHAUCHI (Association of Heads of Australian Universities
College and Halls Inc)
- 428 Monash University Gippsland Student Union
- 429 Australian Higher Education Industrial Association
- 430 Mr John Sadnis, SA
- 431 Mr Rowan Nicholson, SA
- 432 University of South Australia
- 433 Mr Adam McWilliams, QLD
- 434 Australian Education Union
- 435 Ms Leah Marrone, SA
- 436 Mr Stephen Kerry, NSW
- 437 RMIT Student Union
- 438 Queensland University of Technology
- 439 Australian Council of University Art and Design Schools
- 440 Council of Private Higher Education
- 441 The Executive of the NTEU UNE
- 442 NTEU SA Division
- 443 UNSW COFA Students' Association
- 444 UNSW Union
- 445 Queensland Government
- 446 National Indigenous Postgraduate Association Aboriginal Corporation

446A	Confidential
447	La Trobe University Branch NTEU Industry Union
448	Batchelor Institute of Indigenous Tertiary Education NT
449, 449A	Australian Technology Network
450	Tasmanian Division of NTEU
451	ANU NTEU Branch
452	South Australian Government
453	Armidale Dumaresq Council
454	University of Tasmania's Student Association's Student Representative Council
455	University of Tasmania's Student Association's Management Committee
456	Mr David Wheeler, WA
457, 457A	RMIT University
458	Confidential
459	Professor David Barker (Deans/Heads of Law Schools)
460	Youth Affairs Council of South Australia
461	Smith Family
462	Federation of Parents and Citizens' Associations NSW
463	James Cook University Postgraduate Student Association
464	The Australian Academy of the Humanities
465	NSW Department of Education and Training
466, 466A, 466B	NTEU
467	Mr Tim Curtin, ACT

- 468 Western Sydney Regional Organisation of Councils
- 469 Victorian Government (hard copy only)
- 470 Australian Chamber of Commerce and Industry
- 471 Tasmanian Government
- 472 ACUMA
- 473 RMIT Union
- 474 SFAN (Student Financial Advisors Network)
- 475 James Cook University
- 476 Uni SA Student Association
- 477 NCVET
- 478 University of Canberra
- 479 Mr Ned Albion, Vic
- 480 John Quiggin
- 481 Dr Marian Maddox
- 482 Tertiary Campus Ministry Association (Australia) Inc
- 483 Tertiary Education Audit Management (TEAM)
- 484 Murdoch University Guild of Students
- 485 Melbourne University Student Union
- 486 Mr Benjamin Tancred, NSW (hard copy only)

Form letters to the committee from 69 Melbourne students

Appendix 2

Hearing and Witnesses

Sydney, Monday, 22 September 2003

University of Technology, Sydney

Professor Ross Milbourne, Vice-Chancellor and President

New South Wales Nurses Association

Ms Kate Adams, Manager, Professional Services

Ms Annie Butler, Professional Officer, New South Wales Nurses Association

University of Western Sydney

Professor Janice Reid, Vice-Chancellor and University President

Western Sydney Regional Organisation of Councils Ltd

Mr Alexander Gooding, Executive Director

Mr Colin Berryman, Human Services and Education Project Officer

Mr David Bradbury, Councillor, Penrith City Council

Mr Barry Calvert, Education Spokesperson

Student Organisations

University of New South Wales Student Guild of Undergraduates and Postgraduates

Mr Scott Carn, Executive Officer

University of New South Wales Union

Mr Nicholas Carney, President

University of New South Wales Medical Societies and Australian Medical Students Association

Mr Peter Lim, Representative

Students Association Campbelltown Campus Inc

Mr Vijayalingam Nellailingam, President

Sydney University Medical Society

Ms Phillipa Sharwood, Pre-clinical Representative

University of Technology Sydney

Ms Caroline Vu, President, Students Association

University of Sydney

Professor Gavin Brown, Vice-Chancellor and Principal

Brisbane, Tuesday, 23 September 2003

Australian Catholic University

Professor Peter Sheehan, Vice-Chancellor

Mr John Cameron, Executive Director, University Services

Professor Muredach Dynan, Pro-Vice-Chancellor, Quality and Outreach

University of Queensland

Professor Margaret Gardner, Deputy Vice-Chancellor (Academic)

Queensland Government

Mr Kenneth Smith, Director-General, Education,
Mr Ian Hawke, Director, Office of Higher Education

Griffith University

Mr Gavin MOODIE, Principal Policy Adviser

Queensland University of Technology

Professor David Gardiner, Deputy Vice-Chancellor (Academic)

Student Organisations**Queensland University of Technology Student Guild**

Ms Jodie Jansen, President (Elected)
Ms Shannon Fentiman, Education Director (Elected)
Mr Shane Snow, Education Officer (Staff)

National Tertiary Education Union

Dr Howard Guille, Queensland State Secretary
Mr Michael Peters, Carseldine Campus Director (Elected)

Armidale, Wednesday, 24 September 2003**Student Organisations****University of New England Postgraduate Association**

Mr Jonathon Sargeant, President, UNEPA, and President, Sport UNE
Ms Diane Davies, Research/Liaison Officer

University of New England Students Association

Ms Kryssy Loker, President

University of New England Combined Student Organisation

Mr Stephen Griffith, Secretary, UNECSO and Executive Director, Sport UNE

Charles Sturt University Students Association

Miss Amy Coopes, President

National Tertiary Education Union

Dr Timothy Battin, President, University of New England Branch
Dr Maxine Darnell, Secretary, University of New England Branch

University of New England

Professor Ingrid Moses, Vice-Chancellor

Armidale Dumaresq Council

Mr Brian Chetwynd, Mayor
Mr Shane Burns, General Manager

Hobart, Friday, 26 September 2003

University of Tasmania

Professor Daryl Le Grew, Vice-Chancellor
Mr Paul Barnett, Director, Policy and Planning

Council of Australian Postgraduate Associations

Mr Benjamin McKay, President
Ms Emmaline Bexley, Research Officer

University of Tasmania Student Association Inc.

Mr Daniel Hulme Christopher, President, University of Tasmania Student Association
Miss Cathleen Hayward, Researcher

Department of Education, Tasmania

Mr Michael Stevens, Deputy Secretary
Mr Nicholas Evans, Director, Strategic Planning and Development
Dr Adam Grover, Senior Policy Analyst

National Tertiary Education Union

Dr Kelvin Michael, President, Tasmanian Division
Mr David Abbott, Vice President, General Staff, Tasmanian Division
Mr Peter Chapman, Vice President, Tasmanian Division
Dr Margaret Lindley, Member, Tasmanian Division
Mr Jeffrey Watts, President, Australian Maritime College Branch, Tasmanian
Division

Perth, Tuesday, 30 September 2003

University of Western Australia

Professor Alan Robson, Acting Vice-Chancellor

National Union of Students WA

Ms Zaneta Mascarenhas, President
Ms Anne Gisborne, Deputy Secretary, Australian Education Union, WA Branch
Mr Malcolm Bradley, President, Murdoch University Guild of Students
Miss Beth Strang, Education Vice President, Murdoch University
Mr Giovanni Torre

Department of Education Services

Mr Alan Marshall, Principal Policy Officer, Office of Higher Education
Mr Laurence Money, Principal Policy Officer, Office of Higher Education

Edith Cowan University

Professor Millicent Poole, Vice-Chancellor
Professor Patrick Garnett, Deputy Vice-Chancellor
Dr Susan King, Executive Director, Governance, Policy and Planning

Student Organisations**University of Western Australia Student Guild**

Miss Myra Robinson, President

Curtin Student Guild

Mr Terrence Healy, President

Ms Isobel Cassidy, Education Vice President

Ms Kate Mills, Project and Research Officer

University of Western Australia Student Guild

Ms Susan Byers, Education Council President

National Tertiary Education Union

Dr Stuart Bunt, Vice President (Academic), University of Western Australia Branch,
National Research and Teaching Committee; and Assistant Secretary,
UWA Division

Dr Stephen Errington, Honorary Secretary, Curtin University Branch

Dr Jim Macbeth, Member, WA Division

Mr John May, President, Edith Cowan University Branch

Adelaide, Wednesday, 1 October 2003**Australasian Campus Union Managers Association**

Mr Andrew Ashwin, Vice-President, Cumberland Student Guild; General Manager,
University of Sydney Orange Campus Student Association; and Board Member

Mr Greg Mahney, Board Member; and General Manager, Murdoch University Guild
of Students

Mr Peter McDonald, Consultant; and Member, Tertiary Balance Pty Ltd

Mr Trevor White, Board member; and General Manager, Royal Melbourne Institute of
Technology Union

National Tertiary Education Union, South Australian Division

Dr Rodney Crewther, President, University of Adelaide Branch, National Tertiary
Education Union, South Australian Division; and President, National Tertiary
Education Unit, South Australian Division

Dr Judy Zollo, Vice-President, University of South Australia Branch

Mr Ronald Slee, Vice-President, Flinders University Branch

University of Adelaide

Professor James McWha, Vice-Chancellor

Professor Penny Boumelha, Deputy Vice-Chancellor (Education) and Provost

Professor Graeme Hugo, Professor of Geography and Federation Fellow

University of South Australia

Professor Denise Bradley, Vice-Chancellor and President,

Professor Michael Rowan, Pro Vice-Chancellor, Education, Arts and Social Science,

Student Organisations**University of South Australia Students Association**

Mr Andrew Christie, James, Education Representative; and Vice-President

Students Association of Flinders University

Ms Emily Davis, General Secretary

Students Association of the University of Adelaide

Ms Sarah Hanson-Young Coral, President

Adelaide University Union

Ms Georgia Heath, President

Flinders University

Professor Anne Edwards, Vice-Chancellor

Mr Stephen Jones

Government of South Australia

the Hon. Dr Jane Lomax-Smith, Minister for Tourism; Minister for Science and Information Technology; and Minister for Employment, Training and Further Education

Mr Richard Symonds, Director, Higher Education Unit, Department for Further Education, Employment, Science and Technology

Melbourne, Thursday, 2 October 2003**University of Melbourne**

Professor Alan Gilbert, Vice-Chancellor

Victorian Department of Education and Training

Dr Terry Stokes, Director, Office of Higher Education

Student Financial Advisers Network

Mr Roger Deutscher, Chairperson

Mr Patrick Seal, Member

Mr Vincent Callaghan, Spokesperson

Swinburne University of Technology

Professor Iain Wallace, Vice-Chancellor and President

Dr Michael Tomlinson, Executive Director

Australian Council of Deans of Science

Professor David Finlay, President

RMIT University

Dr Ruth Dunkin, Vice-Chancellor and President

Victoria University

Professor Elizabeth Harman, Vice-Chancellor and President,

Professor Jim Falk, Deputy Vice-Chancellor

Professor Michael Hamerston, Deputy Vice-Chancellor

Monash University

Professor Richard Larkins, Vice-Chancellor and President

Professor Alan Lindsay, Deputy Vice-Chancellor and Vice-President (Academic)

Professor Stephen Parker, Deputy Vice-Chancellor

Student Organisations**Deakin University Student Association**

Mrs Paramjeet Thind, Vice-President Undergraduate

RMIT Student Union

Ms Emily Andersen, President

Deakin University Student Association

Ms Kylie Bishop, Vice-President Postgraduate

University of Melbourne Postgraduate Association

Mr Lachlan Williams, President

Centre for Independent Studies

Mr Andrew Norton, Research Fellow

Canberra, Friday, 10 October 2003**Federation of Australian Scientific and Technological Societies**

Dr Kenneth Baldwin, Chair, Policy Committee

Dr David Denham, Vice-President

Mr Toss Gascoigne, Executive Director

Academy of the Social Sciences in Australia

Dr John Beaton, Executive Director

Australian Academy of the Humanities

Professor Iain McCalman Duncan, President

Professor Bruce Chapman**New South Wales Department of Education and Training**

Ms Leslie Loble, Deputy Director-General, Strategic Planning and Regulation

Ms Christine Burvill, Director of Higher Education

The Group of Eight

Professor Ian Chubb, Chair-elect

Ms Virginia Walsh, Executive Director

Engineers Australia

Ms Leanne Hardwicke, Director, Public Policy and Representation

Dr Maurice Allen, Director, Education and Assessment

Professions Australia

Dr David Stephens, Policy Consultant

Canberra, Friday, 17 October 2003

Charles Darwin University

Professor Helen Garnett, Vice-Chancellor

Professor Charles Webb, Pro Vice-Chancellor, Higher Education and Research

Dr Scott Snyder, Executive Director, Business and Administration

Batchelor Institute of Indigenous Tertiary Education

Ms Veronica Arbon, Director

National Indigenous Postgraduate Association Aboriginal Corporation

Mr Peter Radoll, President,

Australian Research Council

Professor Vicki Sara, Chief Executive Officer

Mr Greg Harper, Deputy Chief Executive Officer

National Union of Students

Mr Daniel Kyriacou, President

Mr Graham Hastings, Education Research Coordinator

Australian Vice-Chancellors Committee

Professor Deryck Schreuder, President, Australian Vice-Chancellors Committee

Professor Di Yerbury, Current Vice-President and President Elect 2004-05; and
Vice-Chancellor, Macquarie University

Mr Conor King, Director, Policy and Coordination

Mr John Mullarvey, Chief Executive Officer

National Tertiary Education Union

Dr Carolyn Allport, President

Mr Grahame McCulloch, General Secretary

Mr Andrew Nette, Policy and Research Coordinator

Mr Paul Kniest, Policy and Research Officer

Department of Education, Science and Training

Dr Wendy Jarvie, Deputy Secretary

Mr Bill Burmester, Group Manager, Higher Education Group

Ms Maria Fernandez, Branch Manager, Student Support Branch

Dr Carol Nicoll, Branch Manager, Funding Branch

Ms Lois Sparkes, Branch Manager, Quality, Equity and Collaboration Branch

Appendix 3

Tabled documents and answers to questions on notice

Sydney, Monday, 22 September 2003

University of Western Sydney Vice Chancellor's Statement
Professor Janice Reid

University of Western Sydney Letter to the Hon Jackie Kelly MP, Member for
Professor Janice Reid Lindsay, dated August 6, 2003

Greater Western Sydney Commonwealth Government Higher Education
Councils Proposals: Impacts on the University of Western
Sydney and the Region

Brisbane, Tuesday, 23 September 2003

Australian Catholic Statement to Senate inquiry into higher education
University funding and regulatory legislation
Professor Sheehan

Australian Catholic Preliminary Estimated Commonwealth Grant
University Scheme Calculation – all funding expressed in
2003 dollars

Armidale, Wednesday, 24 September 2003

University of New England Tabling showing:
Professor Ingrid Moses Present funding mechanisms
and
Estimated funding under new proposals

Hobart, Friday, 26 September 2003

CAPA The Social and economic impact of student debt
March 2003

Adelaide, Wednesday, 1 October 2003

University of Adelaide
Professor McWha

Summary of opening remarks

Melbourne, Thursday, 2 October 2003

Emily Anderson
President
RMIT Student Union

Graph – RMIT vs Australia ATSI students as a % of
non overseas students – 1992-2001

Canberra, Friday, 10 October 2003

Peter Karmel

Higher Education at the Crossroads – response to
Ministerial discussion paper – June 2002

Canberra, Friday, 17 October 2003

Department of Education,
Science and Training

Estimated Impact of the CGS – comparison applied to
2002 data only

Answers to questions on notice**Brisbane, Tuesday, 23 September 2003**

Queensland Government
Office of Higher Education
received: 25 September 2003

Letter to the Hon Dr Brendan Nelson MP from the
Queensland Minister of Education, dated: 11 August
2003 regarding provisions of the Education Services
for Overseas Students (Registration Charges)
Amendment Bill 2003

Hobart, Friday, 26 September 2003

Department of Education
Michael Stevens, Deputy
Secretary (VET Strategies)
received: 5 November 2003

Answers to questions asked by Senators re: Higher
Education funding legislation

Perth, Tuesday, 30 September 2003

Edith Cowan University
Professor Millicent Poole
received: 29 October 2003

Answers to questions asked by Senator Carr re: CGS
scheme

Adelaide, Wednesday, 1 October 2003

ACUMA
received: 29 October 2003

Answers to questions asked by Senator Stott
Despoja re: Higher Education Funding legislation

Canberra, Friday, 10 October 2003

NSW Government:
the Hon Andrew Refshauge MP
Deputy Premier
received: 3 November 2003

Answers to questions asked re: constitutional
issues

Canberra, Friday, 17 October 2003

Department of Education,
Science and Training
received: 28 October 2003

Answers to questions asked by Senator Carr re: CGS
scheme

Department of Education,
Science and Training
received: 29 October 2003

Answers to questions asked by Senator Carr re: the
provisions of the bill

Additional information received by the committee

- Petitions received during the inquiry

