



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
REFERENCES COMMITTEE

**Reference: Higher education funding and regulatory legislation**

THURSDAY, 2 OCTOBER 2003

MELBOURNE

BY AUTHORITY OF THE SENATE



## **INTERNET**

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:  
**<http://parlinfoweb.aph.gov.au>**

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

**Thursday, 2 October 2003**

**Members:** Senator George Campbell (*Chair*), Senator Tierney (*Deputy Chair*), Senators Barnett, Carr, Crossin and Stott Despoja

**Subcommittee members:** Senators Carr (*Chair*), Crossin, Stott Despoja and Tierney

**Participating members:** Senators Abetz, Bartlett, Boswell, Buckland, Chapman, Cherry, Jacinta Collins, Coonan, Denman, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Forshaw, Harradine, Harris, Humphries, Hutchins, Johnston, Knowles, Lees, Lightfoot, Ludwig, Mason, McGauran, McLucas, Moore, Murphy, Nettle, Payne, Santoro, Sherry, Stephens, Watson and Webber.

**Senators in attendance:** Senators Carr, Crossin, Stott Despoja and Tierney

**Terms of reference for the inquiry:**

To inquire into and report on:

- The principles of the Government's higher education package
- 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'.
- The implications of such proposals on the sustainability of research and research training in public research agencies
- 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
- Alternative policy and funding options for the higher education and public research sectors

## **WITNESSES**

<b>ANDERSEN, Ms Emily Elizabeth, President, RMIT Student Union.....</b>	<b>93</b>
<b>BISHOP, Ms Kylie Robyn, Vice-President Postgraduate, Deakin University Student Association.....</b>	<b>93</b>
<b>CALLAGHAN, Mr Vincent, Spokesperson, Student Financial Advisers Network.....</b>	<b>26</b>
<b>DEUTSCHER, Mr Roger, Chairperson, Student Financial Advisers Network.....</b>	<b>26</b>
<b>DUNKIN, Dr Ruth Mary, Vice-Chancellor and President, RMIT University .....</b>	<b>54</b>
<b>FALK, Professor Jim, Deputy Vice-Chancellor, Victoria University .....</b>	<b>65</b>
<b>FINLAY, Professor David, President, Australian Council of Deans of Science .....</b>	<b>47</b>
<b>GILBERT, Professor Alan David, Vice-Chancellor, University of Melbourne.....</b>	<b>2</b>
<b>HAMERSTON, Professor Michael Thomas, Deputy Vice-Chancellor, Victoria University .....</b>	<b>65</b>
<b>HARMAN, Professor Elizabeth, Vice-Chancellor and President, Victoria University .....</b>	<b>65</b>
<b>LARKINS, Professor Richard, Vice-Chancellor and President, Monash University .....</b>	<b>81</b>
<b>LINDSAY, Professor Alan William, Deputy Vice-Chancellor and Vice-President (Academic), Monash University .....</b>	<b>81</b>
<b>NORTON, Mr Andrew John, Research Fellow, Centre for Independent Studies .....</b>	<b>102</b>
<b>PARKER, Professor Stephen John, Deputy Vice-Chancellor, Monash University .....</b>	<b>81</b>
<b>SEAL, Mr Patrick, Member, Student Financial Advisers Network.....</b>	<b>26</b>
<b>STOKES, Dr Terry, Director, Office of Higher Education, Victorian Department of Education and Training .....</b>	<b>15</b>
<b>THIND, Mrs Paramjeet, Vice-President Undergraduate, Deakin University Student Association .....</b>	<b>93</b>
<b>TOMLINSON, Dr Michael, Executive Director, Swinburne University of Technology .....</b>	<b>36</b>
<b>WALLACE, Professor John Gilbert (Iain), Vice-Chancellor and President, Swinburne University of Technology .....</b>	<b>36</b>
<b>WILLIAMS, Mr Lachlan James, President, University of Melbourne Postgraduate Association.....</b>	<b>93</b>



**Subcommittee met at 8.49 a.m.**

**CHAIR**—I declare open this public hearing of the Senate Employment, Workplace Relations and Education References Committee. On 26 June 2003 the committee was asked by the Senate to inquire into the policies and principles underlying the government's higher education package as set out in the ministerial statement entitled *Backing Australia's Future*. The committee was asked to consider the effect of these proposals in light of the government's stated intention to deliver policies characterised by sustainability, quality, equity and diversity. The committee is examining the implementation of these objectives, with particular reference to the financial impacts on universities and students. This includes consideration of radical initiatives in fee deregulation and the expansion of full fee places, both of which are the consequences of the changes to the Commonwealth Grants Scheme.

Other issues that come within the terms of reference include the effect of the proposals on research policy and funding, university governance issues, academic freedom and industrial relations. Legislation to implement the government's policies has only recently been introduced, although the committee is due to report to the Senate on 7 November. It is highly likely that the deliberations of the committee and the findings it produces will have a significant effect on the shape of the legislation if it is to pass the Senate.

This hearing is being conducted by a subcommittee of the Employment, Workplace Relations and Education References Committee. Before we commence taking evidence today, I wish to state for the record that all witnesses appearing before the subcommittee are protected by parliamentary privilege in regard to their evidence. These are special rights and immunities attached to the parliament and its members which allow them to carry out their duties without obstruction. Any act by any person which may disadvantage a witness as a result of them giving evidence to a Senate committee is to be treated as a breach of privilege. I welcome all the observers to this public hearing.

[8.51 a.m.]

**GILBERT, Professor Alan David, Vice-Chancellor, University of Melbourne**

**CHAIR**—I welcome our first witness. The subcommittee has before it submission No. 165. Are there any changes that you would like to make?

**Prof. Gilbert**—The only thing I would like to do in that regard is note that on page 7 the submission requested an increase from two per cent above the quota limit on HECS-HELP enrolments to five per cent. I note that that has in fact been agreed.

**CHAIR**—The subcommittee prefers all evidence to be given in public, although the subcommittee will also consider any request for all or part of the evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. Would you like to make a brief opening statement?

**Prof. Gilbert**—Thank you. Can I begin by saying that I agree emphatically with what the minister, the Hon. Brendan Nelson, said in his foreword to the government's budget announcement entitled *Our Universities: Backing Australia's Future*. I quote:

The aspirations we hold for Australia, the standard of living enjoyed by its citizens and its values, will be largely driven by research, teaching and scholarship undertaken by Australian universities.

Equally, I agree with what the Hon. Simon Crean and the Hon. Jenny Macklin wrote in the foreword to the Labor Party's recent higher education policy statement entitled *Aim Higher*. They said:

Education is the bridge to the future for our nation and people. Investment in education enhances our society; it maximises the potential of all our people.

The question is whether Australia currently has the policy framework and political will to realise these worthy aspirations.

I have made no secret of the fact that I do not personally believe the optimum outcomes or even acceptable levels of education and research quality in international competitiveness will be obtainable without significant further deregulation of the Australian higher education system. My reasons are straightforward and essentially pragmatic. Australian universities are seriously underfunded in comparison with their counterparts in most other developed countries, and there is no evidence in the policy proposals or past record of either of the major parties to suggest that the gap will be anything like adequately closed through additional public funding.

I am also concerned that free or heavily subsidised public education is inequitable in a society where more than 60 per cent of the population do not go to university, which includes a disproportionate number of less privileged taxpayers who, as a result of such policies, are required through their taxes to subsidise a more privileged subsection of their fellow Australians to go to university where their success will further widen inequitable life chances. It follows that



the broad policy direction and strategic underpinning of Backing Australia's Future is right—mechanisms have to be developed that take pressure off the public purse by creating funding partnerships between governments, universities and students on conditions that allow all students to defer responsibility for meeting the costs of their higher education until they have entered the work force.

There is much to be admired and applauded in the opposition policy proposal, and the government's proposals will be greatly strengthened by incorporating some of the proposals from Aim Higher, including the higher income threshold at which HECS becomes repayable and the recognition that indexation of Commonwealth funding of universities is vital. Dr Nelson is to be commended, however, for (1) his clear recognition that the policy status quo—not merely current funding levels—is unsustainable in Australian higher education and (2) his commitment to further deregulate student contributions to the cost of a university education. Those insights make the government's proposals at a policy level an historically important opportunity. The proposals may be improved, but it will be a gravely regressive step for Australian higher education if the essential thrust of these vital reforms is rejected. There is no evidence that public funding solutions alone will be efficacious.

The real barrier to access, as the University of Melbourne emphasised in its submission to the Nelson inquiry, is not a more flexible deferred liability loan scheme but the need for better equity provisions and for cost of living assistance for students without access to savings or other financial support. This area of the government's package remains problematic.

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.

**CHAIR**—Thank you very much, Vice Chancellor. You are well known as a supporter of the policy thrust of the government on these matters and today again you have highlighted the difference between the policy principles as you see them and implementation and you have indicated your concern with the guidelines. I take it that you have actually read the legislation?

**Prof. Gilbert**—I cannot say that I am a master of the legislation but, yes, I have reviewed the legislation.

**CHAIR**—You would be familiar with clause 30-25?

**Prof. Gilbert**—You would need to remind me, Senator.

**CHAIR**—That part sets down what the minister can and cannot do. It is actually in the legislation; it is not in the guidelines. It says that the minister can determine which courses will or will not be funded at a university. It will determine on a case-by-case basis at an institutional level the day-to-day operations of a university. Other clauses in the legislation provide the capacity for the Commonwealth minister to close down an institution that he thinks is not meeting the requirements. There are contracts to be entered into. All of this is in law, not guidelines. This is primary legislation. Are you disappointed that such a level of prescription should be put into legislation?

**Prof. Gilbert**—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.

**CHAIR**—I obviously agree with you, but the practice for legislation in this country is for guidelines to extend interpretations not limit them. This legislation is the most interventionist I have ever seen—probably the most interventionist since the attempted banning of the Communist Party in this country. I put it to you that this fundamentally transforms the relationship between the Commonwealth and the university. Would you agree?

**Prof. Gilbert**—I think that is a danger.

**CHAIR**—Black letter law would tell you that, surely.

**Prof. Gilbert**—I would think that it is defensible for the Commonwealth of Australia through a minister of the Crown to have in the last resort a range of interventionist authority. What concerns me in this case is that from what we have seen as to how that authority is envisaged to be exercised, we have reason to be very concerned indeed.

**CHAIR**—Some of your colleagues are major beneficiaries of this package, but Professor Brown of Sydney university, for instance, has said to us:

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.

This is from a major supporter, like you, of the policy principles. Do you share any of those concerns?

**Prof. Gilbert**—I do share those concerns.

**CHAIR**—What sorts of amendments do you think should flow to make this legislation more acceptable to your way of thinking?

**Prof. Gilbert**—I think the universities will now need to see the government committing itself to a much limited range of interventions in Australian higher education over a whole range of areas, from dealing with matters of equality of opportunity, productivity, teaching and learning, capital development, research, the RTS, collaboration and reform, infrastructure, quality assurance and so on in a whole range of areas. The universities will now want to see the government indicate as clearly as possible that it is bent on reducing rather than increasing the degree of intervention in Australian universities, that deregulation in regard to things like funding is going to be accompanied by a genuine reduction in the intrusion of government in the micromanagement of universities.

**CHAIR**—What prospect do you think there is of the government coming to that position?

**Prof. Gilbert**—I believe that when the reform package was launched the minister made a strong commitment to reducing the kinds of impositions on Australian universities that are now concerning Professor Brown and me and others.

**CHAIR**—Wouldn't that mean a fundamental rewrite of this legislation?

**Prof. Gilbert**—It would mean, I think, considerable amendment of the legislation.

**CHAIR**—Finally, I point to some of the impacts of this legislation on one particular aspect of your university. Is the Victorian College of the Arts part of Melbourne university?

**Prof. Gilbert**—No, it is an autonomous institution which is linked in a particular respect to do with its academic programs and their quality assurance to the University of Melbourne.

**CHAIR**—How would you describe it? Is it an associated entity?

**Prof. Gilbert**—I would describe it as an independent entity set up under its own legislation with which the university has a specific and limited relationship.

**CHAIR**—I see. So you are not familiar with its funding arrangements?

**Prof. Gilbert**—I am fairly familiar with its funding arrangements.

**CHAIR**—Are you aware that under this package the transfer of the Victorian College of the Arts to cluster 7 of the funding mix will see a cut of 34 per cent in the funding?

**Prof. Gilbert**—Yes, I am.

**CHAIR**—Would you agree that that assessment of 34 per cent is an accurate figure?

**Prof. Gilbert**—I will not swear to the 34 per cent but I think it is in that range, yes.

**CHAIR**—And even if they were to impose 30 per cent HECS fees that would produce a deficit for them of 28 per cent?

**Prof. Gilbert**—Yes, it would not close the gap.

**CHAIR**—Are you aware of how this compares with the situation at the Australian Film, Television and Radio School in Sydney?

**Prof. Gilbert**—Yes.

**CHAIR**—What is the contrast?

**Prof. Gilbert**—The contrast is that the Victorian College of the Arts is funded through DEST and therefore is subject to the conditions of this legislation, and both NIDA and the Australian Film, Television and Radio School are funded differently and through a different department of the Commonwealth.

**CHAIR**—Do you think that that is an inequitable arrangement?

**Prof. Gilbert**—I think that, given the aspirations and the quality of the VCA, it is wrongly located within the funding regimes of the government, yes.

**CHAIR**—So the only way they could fix this is transfer departments?

**Prof. Gilbert**—Either they would have to be treated as an exception under this legislation, which would be difficult, or they should be transferred. I believe the latter is the correct solution.

**CHAIR**—If the status quo is maintained, can you see circumstances where they could continue at the high level of performance that they currently undertake?

**Prof. Gilbert**—No.

**Senator TIERNEY**—I suppose the universities have three paths before them at the moment: they can continue with the current system, pass this legislation and introduce the Nelson reforms or, if Labor gets back into power, they can have the ALP policy, which is called Aim Higher. You did quote a bit from it in your introductory remarks. It was released on 23 July and sank without a trace in a day, which is a pity because I think people should really have a look at this very thoroughly. In regard to the three paths before us and where your university in particular will be in 10 or 15 years time, what do you think the best path to go down would be?

**Prof. Gilbert**—I have made that clear. I think Aim Higher is about as good a policy framework as you could get while you are limited to public funding solutions. It is regressive in the sense that it will disadvantage the thousands of students who are already domestic fee payers and, by disadvantaging them, there will be a knock-on effect which will affect current HECS payers and increase unmet demand. In my view, it is highly unlikely from an international perspective that Australian higher education can improve its quality through this kind of approach at a time when it desperately must. I know lots of people disagree with that, but it is an opinion I profoundly hold and I therefore believe that the policy direction of the Nelson reforms

is far superior, hence my concern about the implementation framework and guidelines that we now seem to be confronted with.

**Senator TIERNEY**—Back in the Whitlam era we had total public funding. Even Labor was mugged by reality in 1987 and brought in HECS and a whole range of other measures. In Aim Higher, which seems to cut off a lot of flexibilities in the ways in which universities can raise money and puts a lot more emphasis back on the budget, would you say that we would be going back to impoverishing universities in the longer term?

**Prof. Gilbert**—It would not do that if governments, whatever their party political background and whatever other exigencies they faced, maintained an absolute priority for keeping higher education well funded. There is nothing in Australia's political or financial history that indicates governments will do that. For that reason, my pragmatic view is that, yes, this kind of approach will degrade Australian universities over time.

**Senator TIERNEY**—To be kinder to governments of all persuasions, I suppose that since 1955, when the whole university system was the size of what Sydney University is today, it has expanded dramatically over that time. Governments are always trying to keep up with a rapidly expanding system, which is always difficult. I wonder if you agree with the proposition that, given that in this package there is \$10.5 billion extra public money over 10 years and a lot more flexibility in all sorts of private funding measures, surely that is the only sustainable way to go in the new century.

**Prof. Gilbert**—I have said that, Senator.

**Senator TIERNEY**—The AVCC has recently done an analysis of the Labor Party's Aim Higher, which states:

... it is not enough to make the existing funding structure work better ... there is little extra direct investment [in Labor's policy] to improve the quality of universities' existing teaching load ...

The package shuts off some existing sources of private investment and makes no proposals to improve private investment.

... there is little extra core funding in Labor's policy.

Surely that is a pretty damning indictment by the AVCC of what Labor is proposing as an alternative.

**Prof. Gilbert**—I think it is probably too damning. I think this is a very good package if you are committed solely to public funding. For Australia to limit itself in that way when almost every other major jurisdiction in the world is moving towards mixed funding is actually putting lead in Australia's saddle bags that it simply will not be able to afford. It will lead to a further degradation of universities that are currently gravely underfunded. But, if you are going to go down a public funding route, this is a good package.

**Senator TIERNEY**—Given the 13 years of Labor history and the dependence on public funding in that era, would you have a great deal of confidence that, if you had another 13 years of Labor, it would be any better?

**Prof. Gilbert**—I do not have confidence in Australian taxpayers and voters. I do not believe they will allow any government to spend what it needs to spend through public sources alone to sustain a high quality education system.

**Senator TIERNEY**—Hence the need for a public-private mix to make it work.

**Prof. Gilbert**—That is right.

**Senator TIERNEY**—I will just move on to the IR reforms. The editorial in the *Australian* last Wednesday was saying that we were not going far enough with the IR reforms and that we should allow Australian workplace agreements right across the sector. It put a very cogent case for our doing that. We of course are not proposing that; we are proposing a very minimalist change. All we are proposing is that Australian workplace agreements be available for any staff who on their own individual perception want to access them. I know the unions are calling strikes on these sorts of things. Surely it is a fairly modest approach.

**Prof. Gilbert**—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.

**Senator TIERNEY**—If we just look at the broad principle of where it is going, at the moment we have a closed shop arrangement. We have NTEU and the pace is set at one university and then you have a flow-on across the system. Given that we have a diverse university system with varying abilities to fund responses to this, surely that is not an appropriate way to have IR. Surely Australian workplace agreements and the modest start proposed here would be the way to go.

**Prof. Gilbert**—The much better thing for the government to be doing would be to remove the union's gatekeeper role and actually allow a diverse system to have different kinds of workplace agreements in different workplaces. I should say that my university—and, I think, many other universities—is proud of the fact that we in different ways have achieved higher productivity and very large degrees of flexibility. But to be pushed into a confrontationist course which is going to tear a collegial community apart is something that is worth more than the money, I believe.

**Senator TIERNEY**—If we go back to the Labor Party's policy and Aim Higher, what is your reaction to the \$219 million black hole that exists in the changed arrangements for HECS? They have put forward a policy of changing the HECS arrangements but do not seem to have funded it according to the department of education, and that is backed by the department of finance. That would be \$219 million across the country, with \$58 million in Victoria. Your own University of Melbourne would have a shortfall of \$13.6 million, which presumably you would have to make up in some other way. I was wondering what your reaction—

**Prof. Gilbert**—Could you take me back to the preamble of the question so that I can answer accurately?

**Senator TIERNEY**—In Aim Higher there was a suggested change to the HECS arrangements. Because they have not made up the funding in any other way, across Australia there would be a \$219 million black hole. The University of Melbourne's share is \$13.6 million, according to the department of finance. Given that it has put it back on the public budget so much and given that there is that black hole, how are you going to make it up? If you are restricted on fees, how on earth would you make up that black hole? I am just wondering if you have concerns about that aspect.

**Prof. Gilbert**—One has to look at a package as a whole when it is proposed by a government rather than in a policy form of this kind. There are always going to be swings and roundabouts in any package. The main thing I would say is that there is no dynamic in Aim Higher to provide Australian universities with quality improvement opportunities of a kind that I believe they desperately need and that are being delivered in other jurisdictions through mixed funding regimes. I do not at this stage have a comment on any particular aspect of the policy. I just see it as not providing a long-term strategic solution.

**Senator TIERNEY**—The AVCC states:

The package shuts off some existing sources of private investment.

**Prof. Gilbert**—That is right.

**Senator TIERNEY**—And this is actually shutting off a source of public investment, because it is a black hole in that as well. I thought that would be of some concern to the University of Melbourne.

**Prof. Gilbert**—The point is that the package as a whole injects some further public funds into higher education. We would clearly argue about that kind of provision but I am much more concerned about, as you put it, the shutting off of private sources of revenue, which will disadvantage not only universities but also students who are currently enrolled.

**Senator TIERNEY**—Thank you.

**Senator STOTT DESPOJA**—Good morning, Professor Gilbert. Given the extensive debate and/or criticism that we have heard from you and a number of people and given that this is arguably the biggest change to higher education policy in 14 or 15 years, shouldn't there have been a white or green paper? Is this the appropriate process that we are undertaking now?

**Prof. Gilbert**—I do not know; there are lots of options. I think it has been a very good process for most of its history. The minister began with a vision and some policy guidelines and did invite wide consultation. Lots of us took opportunities to contribute. I think there is also evidence that the minister listened. So, for a long period, I would have applauded the approach. You may well be right that, in retrospect, it would have been better to go a white paper route. My concerns, though, are not so much to provide a critique of the process but to say that I am now very concerned about where it is leading. I am concerned not just because the package now

seems to be complicated in an interventionist sense but because there is a real chance that, on those grounds, which seem to me to be secondary, the Senate will reject the package in toto. Then we will be worse off than we were before.

**Senator STOTT DESPOJA**—In regard to that balance of whether or not you are better or worse off, I ask specifically about the University of Melbourne: have you done modelling that indicates where you would be placed as a consequence of the passage of this legislation? How much better off would you be?

**Prof. Gilbert**—Unlike some universities, we have postponed detailed modelling because it did not seem sensible to us to do detailed modelling when many of the details are still to be worked out, not least that there may be some tranches of funds that we will not seek to secure because of the cost in other terms. But the preliminary modelling we have done would suggest that this will improve the position of the University of Melbourne in a range of ways.

**Senator STOTT DESPOJA**—Can you give us a sense of how it would improve in terms of dollars?

**Prof. Gilbert**—We have asked for rather more flexibility in fee setting, and you will recall that we have pleaded with the government to allow us flexibility in setting different fees within different courses so that we can deal with some equity issues. But, broadly speaking, while I do not believe the university would increase fees across the board, the university would broadly use the 30 per cent increase available in HECS levels under this legislation under the present government's policies, and it would make a major difference in funding. Equally, we believe the combination of increasing to 50 per cent the proportion of students who could be domestic fee payers and the provision of the HELP program to provide deferred liability loans for those students would significantly increase the number of such students and therefore, again, that would be a substantial revenue benefit. So for the University of Melbourne, we think we could exploit the package prudently and enhance the unit of resource that we invest in each student's education.

**Senator STOTT DESPOJA**—How much of your preliminary assessment that you would be better off includes that additional Commonwealth grant money, for example? You have just described how you could utilise some of the increased fee-charging mechanisms. In looking at the base operating grant plus that additional money, which is of course contingent upon those industrial relations changes, I am just wondering how much of that was factored into your assessment.

**Prof. Gilbert**—It was factored in and it would make a difference but we think the dynamic element—that is, what would make the most difference for us—is the flexibility in relation to the 30 per cent premium on HECS and the combination of ways in which domestic fee paying is made more palatable and it would increase the number of students. They would be the two real drivers of improvement in the University of Melbourne.

**Senator STOTT DESPOJA**—In terms of that cost-shifting—and obviously there has been concern expressed in a number of submissions, particularly from students, that the level of debt accumulation is unmanageable and unsustainable, and that many traditionally disadvantaged groups are dead averse—I note that in your submission you talk about the debate about lower



SES participation rates and you make a recommendation about monitoring or at least some independent assessment. I wonder if your recommendation is enough. Should we be seeing the reestablishment of something like the former NBEET or HEC and other committees that were with that board that provided some independent assessment to government of what was happening in higher education?

**Prof. Gilbert**—I was on HEC—the Higher Education Council—for some years. My concerns were that it was not particularly effective and could actually represent an additional layer of intervention in universities. It was probably useful in some ways in providing policy advice to government. I was not privy to the extent to which it influenced government. But I do not see buffer bodies of that kind as adding much value, precisely because in the end it is the minister, the government and the parliament that decide. The more direct the link between universities and policy makers, the better for universities.

**Senator STOTT DESPOJA**—So what is the answer? You have expressed concern about DEST's statistical collection. Is it really enough to commission a panel to track upper year secondary students and continue on?

**Prof. Gilbert**—I think government should be vigilant about this. It should use the bureaucracy to set up proper monitoring in whatever ways it chooses. The main point in our submission was, having viewed the evidence, we do not think that students from less privileged backgrounds are any less likely to come to universities because of either the introduction of HECS in 1989 or its subsequent increase. Indeed, evidence around the world is that the investment that individuals and families make in higher education is probably the best investment they will ever make in their lives, unless they win a lottery.

In Britain, for example, they have determined that in the case of an average degree—not one of the more lucrative degrees—someone in the same position without such a degree earns 68 per cent of the total lifetime earnings of someone with such a degree. With the kind of repayment schedule and arrangements we have where if people are not in the work force earning a certain amount they do not pay or if they get into the work force and drop back they do not pay—this is nothing like a normal loan—I believe it is very important for government in Australia to recognise that as long as you get the repayment regimes right, and we have made suggestions about that, it is entirely fair for the society that people who are going to be immense beneficiaries of getting degrees contribute to the cost of those degrees.

**Senator STOTT DESPOJA**—We might talk a bit about the repayment arrangements then, although I might put a question on notice about those OECD figures, because I think that that 68 per cent figure is an average, and we do not compare very favourably with that figure. My understanding is that we are between 30 and 40 per cent, which makes us much lower in terms of people's income as a consequence of higher education in Australia.

**Prof. Gilbert**—I am happy to share with the committee work that has been done by the Melbourne Institute of Applied Economic and Social Research which indicates that the real rate of private return on investment in higher education is over 16 per cent and that the earnings difference for an average student in Australia is immense as well.

**Senator STOTT DESPOJA**—That would be useful for the committee. In relation to the repayment arrangements, the AVCC has expressed concern with the CPI plus 3.5 per cent real interest rate on the repayments scheme for fee help. Do you have an opinion on that?

**Prof. Gilbert**—The main change I would suggest is the lifting of the threshold to something close to professional starting salaries. The Aim Higher package is the better package in relation to the setting of that threshold. The loans scheme with that threshold raised is a good and defensible scheme, but I agree that it would be useful for people with more expertise than I have to look at that real interest rate issue. But I think it is secondary compared with the threshold issue.

**Senator STOTT DESPOJA**—The AVCC has also suggested that the \$50,000 limit in relation to loans should be increased. You express similar views in your submission.

**Prof. Gilbert**—I think there are a number of things wrong with the \$50,000. One is that it discriminates against students taking degrees which are of longer duration. If you are a student taking a degree that lasts three years, the student entitlement affects you in interesting ways. First of all, it means you have two extra years to change your mind and manage your graduation than if you were in a degree which takes longer. The same argument can be made about the threshold. I am also concerned about students who, having used up their entitlement, want to come back and do postgraduate study. I think HELP is a major advance. I do not want to sound like a critic of it, but I do think—and the minister has conceded this—it would be useful to review that \$50,000 limit.

**Senator STOTT DESPOJA**—Have you ever had a request for or are you aware of demand for an AWA within your institution?

**Prof. Gilbert**—No, but we do have a very wide range of individual contracts.

**Senator STOTT DESPOJA**—In relation to overseas students, when it was announced in the budget, part of this package had two aspects that involved increased fees and charges—visas for overseas students and an increase in the cost for their providers. The AVCC opposed that increase. As you know, the Senate failed to overturn that proposed increase. Do you think that that should be revisited by the Senate? We have had some vice-chancellors suggest that it should be.

**Prof. Gilbert**—Yes, I do emphatically.

**Senator STOTT DESPOJA**—Because of the cost to your institution or more generally the cost impost on international students?

**Prof. Gilbert**—Certainly the latter. I think the presence of overseas students in Australia is good for them and their countries. It is very good for Australia and we should be minimising the obstacles placed in their way in seeking to come to Australia.

**Senator STOTT DESPOJA**—I note at the end of your submission that you have appealed to the opposition and minor parties to work responsibly. You will have heard that last night Senator Harris expressed his grave concerns with the package and has essentially rejected it. I do not

know if you have spoken with him but, given your criticisms which were to some degree unexpected by the committee—certainly the harshness in relation to the industrial relations provisions—do you believe that this legislation can be sufficiently amended and/or passed between now and the end of this year? Is that really appropriate for dealing with such a massive rewrite of the Higher Education Funding Act?

**Prof. Gilbert**—I do not know. If it cannot be, it should not be rejected and work on it should continue. If the Australian Senate throws out this package rather than working with the government to improve it, I think history will judge it quite harshly. I say that because I believe that the current quality of Australian higher education is below international standards, the system is underfunded and the future is that it will become more degraded. Therefore, there is a major crisis confronting those who are taking responsibility for higher education policy. It should not become a plaything of party politics and this package should not be rejected on technical grounds or grounds to do with the guidelines. In my view, the Senate should work extraordinarily hard to improve it and pass it.

**CHAIR**—We have 19 sitting days left and there must be 50 pieces of legislation currently before the chamber. You have already told us today that you think this needs a major renovation job. How can we possibly do that in 19 sitting days?

**Prof. Gilbert**—I am not sure that you can; you probably cannot. What I am asking you to do is not to throw it out, but to take additional days this year or next year to work through it.

**CHAIR**—Thank you.

**Senator CROSSIN**—Good morning, Professor Gilbert. Thank you for coming so early. I want to go to two issues. First, on page 6 of your submission you suggest that there needs to be a longevity study in terms of tracking senior high school students and looking at the characteristics as to why they do or do not take up higher education. Your submission says that DEST's statistical collection has not been adequate for this purpose in the past. Can you provide some comments about that? When DEST have some statistics that show that an increase in HECS actually deters students from taking up higher education, they suppress that statistical collection. What confidence do you have that their statistics will be made available?

**Prof. Gilbert**—One of the things wrong with the DEST figures is that they are based on postcode analysis, which is a reasonable surrogate for talking about social disadvantage or equity categories of student. But when the number of students who might be disadvantaged is as small as 100 males in the whole university population of Australia, if the methodology is based on something as imprecise as postcodes, the conclusion is meaningless; in other words, there are a range of explanations for the findings you refer to. The number of students involved, even if you accept those findings, is very low and it is simply straightforward social science to say that a methodology as blunt as postcode analysis will not sustain that kind of conclusion. So the conclusion is invalid. It does not mean that it is not true, but it is invalid and therefore we need better research.

**Senator CROSSIN**—You have made mention that you believe the equity measures in the package are not adequate. Given that in Victoria, say, due to unmet demand TER scores are

rising, what improvements do you think need to be made in the equity measures—the range of target groups, the amount of scholarships, the way those scholarships are treated or all three?

**Prof. Gilbert**—I think it is all three, and I would put forward a fourth one: unless the Department of Family and Community Services rethinks its approach to HECS and fee-waiver scholars then underprivileged students in Australia are going to be in a much worse position than they would be if a commonsense solution prevailed in which a scholarship which has been given to a university to assist an Aboriginal student or a student from a disadvantaged background could be given to that student without the student then losing their right to youth allowance or other provisions from the Department of Family and Community Services. This is gratuitous nonsense and I cannot believe it has persisted as long as it has. It has to be changed.

**CHAIR**—Finally, Senator Tierney has made some reference to the funding arrangements. You would be aware that the Aim Higher model suggests \$1 billion greater expenditure and has indexation of over \$300 million built into it. I wonder how, if you had indexation, you could possibly argue that the University of Melbourne would be worse off.

**Prof. Gilbert**—I would want to see the details of the package. I do welcome indexation and I think its absence in the past few years has been a major disadvantage, particularly in relation to salaries. It is a welcome improvement.

**CHAIR**—Vice-Chancellor, thank you for appearing today.

[9.33 a.m.]

**STOKES, Dr Terry, Director, Office of Higher Education, Victorian Department of Education and Training**

**CHAIR**—Welcome. The subcommittee has before it submission No. 469. Would you like to make any changes?

**Dr Stokes**—No.

**CHAIR**—The subcommittee prefers all evidence to be given in public, although it will also consider any request for all or part of your evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. I now invite you to make a brief opening statement.

**Dr Stokes**—I appreciate the opportunity to briefly speak to the Victorian government's submission to your subcommittee and answer any questions you may have. I begin by emphasising that the submission is the view of the Victorian government and we understand there would be a number of issues, with which we would have sympathy, which individual institutions would have raised. Perhaps that can be best illustrated if I say that, from the point of view of most institutions and those who are responsible for managing them, the primary concern facing higher education in Australia and in Victoria is the rate of funding per place. But that is not the primary problem from the state government's point of view. The primary issue from the state government's point of view is the size of the sector; it is far too small.

As I am sure you all know, the level of unmet demand in Victoria has been very high for a very long time. In fact, it has had the highest percentage of any state or territory in Australia for more than a decade. It is currently 40 per cent of national unmet demand, and that has to be set against the fact that the higher education sector in Victoria is about a quarter of the total national higher education sector. So traditionally we have very high levels of unmet demand from students who are qualified to enter universities.

On a conservative estimate, I think there is little doubt that, at the very least, 10,000 additional students would be taken by Victoria's universities each year than they currently have places to offer. The number is probably higher, but it is certainly not less than that. From the state government's point of view, with a school sector which has a goal to increase its year 12 completion from the high 80s to 90 per cent over the next few years, the most pressing problem confronting higher education in Victoria is the size of the sector. That is the test that the Victorian government first applies to this package that Dr Nelson has brought to the parliament. I have to say that it almost entirely fails that test. There is almost no real publicly funded growth in the period covered by the package. There are already 1,400 places nationally in the period between 2005 and 2008, which would hardly scratch the surface in Victoria, let alone nationally.

There are features of this package which the government does welcome—in particular in relation to places. The conversion of marginally funded overenrolment places to fully funded places is welcomed by the government. But there is just no publicly funded growth of any

significance in the package. The only growth factored into the package is privately funded full fee paying student growth. The change in the rules that is proposed to allow universities to accept up to 50 per cent of their enrolment in domestic full fee paying places is the only opportunity for significant growth in the sector. The Victorian government rejects that as a method for growing the sector, because it is grossly inequitable. As has been pointed out by a number of people to your committee, to my knowledge, and in many of the submissions, such an approach to growing the sector substantially disadvantages large groups of the community who are not able to afford the loans that would be required to fund full fee paying places, and many of them come from social groups that are averse to borrowing in any case. So even if they could afford it, historical records indicate they would not.

That is a major problem from the point of view of the Victorian government with the package: it does not provide for growth. There are a number of features, and we have touched on one or two, which the government does welcome—some fairly unreservedly, such as the one I mentioned before in relation to replacing marginally funding places. Others we welcome in principle. The change to provide for regional loadings for some institutions and campuses of institutions is welcomed and was urged by the Victorian government.

Our figures show that, on average in metropolitan Melbourne, there are just over 1,000 places per 100,000 of the population whereas in regional Victoria there are about 600 places and down to about 500 places in regions like the north central. So there is something between 40 and 50 per cent less opportunity to study outside of metropolitan Melbourne than there is inside metropolitan Melbourne. An opportunity to boost regional places by properly funding them is welcomed.

Unfortunately, the level of loading that is proposed is a joke. The figures we have from La Trobe University, as the submission indicates, suggest that their current internal subsidy for places outside of metropolitan Melbourne is about 30 per cent. Only one institution in the country is proposed to receive that level of funding support for regional places, and that is the Northern Territory University. Others receive a very small fraction of that at the most—down to this 1½ per cent loading that the University of Wollongong has just recently acquired. Similarly, Monash University estimates that its subsidy for its Gippsland campus is about \$5 million at present, and it would expect to receive around \$300,000 from the proposed loading. You can see that it does not go anywhere near meeting current levels of subsidy that institutions are supposed to afford. But the principle is a good one.

Another issue that the government has concerns about is the industrial relations provisions which have been articulated in detail since this submission was written—although, essentially, they are the ones we anticipated in preparing this submission. Industrial relations in higher education essentially is not a state matter. But the level of disruption and discord which we anticipated and which is now in evidence, with national strikes of staff and possibly students being called in response to these industrial relations proposals, is a matter of concern to the government.

Another major failing of the package which the submission draws attention to and which I want to emphasise now is that it is essentially an inequitable package. It contains a whole series of measures that provide a major danger of the development of a two-tiered system of higher education—a David Jones university system versus a Best and Less university system is one way

of putting it. There are some institutions which clearly will benefit. As Professor Gilbert indicated earlier, his institution is one of those. But there are a number of institutions which will not benefit significantly or which will lose. Although Minister Nelson is proposing a transitional package for some institutions, including some in Victoria, that transitional package is just to enable the institutions to get used to the fact that they are going to live on less income than they had previously. It is not a permanent removal of that disadvantage.

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.

In the submission on page 6 there is a pretty graphic illustration of the direction in which inequity in the sector is already going. This package will exacerbate it substantially. We can see from that graph that, by 1999, the level of student contribution to higher education had returned to levels that had not been seen in Australia since before the war. Whatever the merits of the higher education system before the war, equity was not one of them. It was a highly class based and very much an elite system. The proposed changes in the present package will only see the student's contribution to higher education climb higher. The student's share of debt will increase and their capacity to get their lives under way after graduation will be severely diminished. I think I will finish my introductory remarks on that point, Chair. I am happy to respond to any questions from you or your colleagues.

**CHAIR**—Those figures on student contribution that you referred to are also referred to in the Crossroads papers. So the Commonwealth has actually acknowledged that we are now looking at the same level of student contribution as in 1939.

**Dr Stokes**—It is worse now.

**CHAIR**—Have you now had a chance to read this legislation?

**Dr Stokes**—Yes, I have.

**CHAIR**—In terms of the provisions of the legislation that go to the question of Commonwealth powers, in your judgment, is this an effective takeover of state institutions—namely, universities governed by state acts—by the Commonwealth?

**Dr Stokes**—Elements in the package which do go in that direction in ways that concern the Victorian government and my minister, Minister Kosky, are the proposals in relation to governance. Governance is a matter which constitutionally, in relation to universities, is entirely

a state matter, except for a couple of institutions that are covered by the Commonwealth parliament. As you would be aware, there is a proposal in the package which links a substantial amount of funding to the enforcement of a national governance protocol by state governments. This was outlined in the budget.

I must say, however, that at the MCEETYA meeting in Perth a couple of months ago Minister Nelson moved his position on that to one which was more accommodating and he proposed to discuss the government's protocols with the states, and that is a move in a direction which we found acceptable. It must be said though that the extensive borrowing in the Commonwealth's national protocols from the Victorian government's recent review of university governance indicates to me that the state governments are delivering on their role in looking after university governance in ways that do not make it obvious why the Commonwealth government would feel the need to intervene. That is the major intervention in state responsibilities that I see in the package, Senator.

**CHAIR**—The Commonwealth have already published its protocols. That is quite contrary to the undertakings given. They have made these protocols conditional upon the receipt of funding of \$400 million. They have also imposed industrial relations changes. My reading of this legislation indicates that, if these were to be implemented, the Commonwealth minister's powers would probably be unprecedented. Given that the states still have responsibilities for universities, particularly in terms of loan requirements—this university of RMIT was refused extensions on its loans last year because of the state governments views about loan requirements—what role would there be if this legislation were passed? What possible role would there be for the states in the future? Why should you be involved in higher education at all?

**Dr Stokes**—Unless the Constitution is altered by the people or the states voluntarily surrender their powers in relation to higher education, there is a major legal requirement for an ongoing involvement of the state government, which the Commonwealth effectively acknowledges by using a less legal leverage in an attempt to achieve its ways.

**CHAIR**—Could I ask you to ask your minister whether you could have a look at this legislation in terms of its legal and constitutional implications? There are two questions. There is regard to the grants act in terms of payments to the states under section 96 and whether or not it discriminates against certain states and whether in terms of the government's requirements this is an intrusion on states' capacities or whether there is any other measure that you think may well be inconsistent with Commonwealth-state jurisdictions as they apparently stand.

**Dr Stokes**—I can certainly give you the assurance that we are giving our minister detailed briefing on the legislation at the level of clause by clause. That will go to the constitutional powers that it relies on. As for the matter of governance, the minister has already raised that in Perth with Dr Nelson. As I said, Dr Nelson's position on that has altered slightly in that he has indicated he is willing to discuss with his state and territory colleagues the details of the protocols before finalising them, which was not the original announcement.

**CHAIR**—I am sorry, Dr Stokes, the trouble is the government has published the protocols. How is the minister's commitment to consult before finalising them consistent with their final publication? Are you saying that they are now subject to amendment?



**Dr Stokes**—In principle they are, yes. My understanding is that Dr Nelson has indicated that he and officers of his department are prepared to negotiate and consult with the states over the details. I am going to a meeting in Canberra in a couple of weeks time with DEST and my colleagues in states and territories where this issue will be among those discussed. What alterations to the protocols the Commonwealth is prepared to make of course is not clear. But that the protocols are not now set in stone is clear.

**CHAIR**—That is an interesting development. Wherever we go in this inquiry each of the states say that they are entitled to more places. The government of Western Australia have told us that they have had discussions and they have left us with the impression that they are confident of securing a 25 per cent increase in the number of places for Western Australia, which would be a substantial share of the places that are being allocated from 2007 onwards. You are saying that the state of Victoria is entitled to 10,000, and I think there is substantial evidence to support a claim of that nature. What discussions have you had with the Commonwealth government about the method of distributing the fully funded places? Have you received any advice as to whether or not Victoria's claims will be satisfied?

**Dr Stokes**—The states and territories, as well as the institutions, were invited by the Commonwealth to make submissions to the federal department on the methodology to be used for allocation of the 25,000 fully funded places, replacing marginally funded places. The government of Victoria made a submission that was prepared after this submission we are discussing today. The section of the submission which discusses that issue is essentially a good guide to what the government proposed. We are talking about 25,000 places, and of course we would not expect to get 10,000 of 25,000. Our view was—and the government endorsed this position—to come up with a basis for the allocation of those places and any other places, including the 1,400 new places, which would be fair as between all the states and territories.

We did not argue, as I imagine everybody around the country expected that we would argue, that it should simply be done on the basis of unmet demand. We were aware that a number of states and territories would find unmet demand congenial and a number of others that would not, including Western Australia in all probability. So we developed an indicator, which is a bit more complicated but is essentially a demographic indicator which proposes to allocate places on the basis of the proportion of the year 12 cohort age group that actually completes year 12. By improving the performance of their school sector, that allows states to improve their share of that slice. Another slice is distributed on the basis of the proportion of the working age population post 24-year-old working age population who missed out on higher education when they left school or who now need to retrain to take account of changes in the work force over their working life.

Because that submission—which should be up on the relevant web site by now, I hope—uses demographic measures, it distributes places roughly in proportion to the size of the population of the state or territory but allows a policy decision as between the proportion of places to be allocated to school leavers or to mature age adult entrants and also allows states to influence their proportion of the places by improving the performance of their high school sector.

Western Australia are a case in point. Their secondary sector has been relatively underperforming compared with other states such as Victoria. If they are able, as they probably are able, to improve the proportion of their year 12 age leavers who actually get to year 12, they

will get a substantial increase in their slice. That is the indicator that we have proposed. It was argued as being equitable across the states and territories. The Commonwealth have indicated that they intend to make a decision in relation to this matter before the end of the year. It is not clear yet which indicator they will pick.

**CHAIR**—Finally, the question of the VCA. My concern is that a funding cut of 34 per cent will be imposed on the VCA under this package. Would you agree with that assessment?

**Dr Stokes**—That accords with my understanding of the effect of the proposals on the Victorian College of the Arts.

**CHAIR**—Is there no way that they can make up that gap, even if they charge the 30 per cent HECS fee?

**Dr Stokes**—It would reduce the gap but it would still be substantial, yes.

**CHAIR**—Have you had any indication of how this funding arrangement contrasts with that in Sydney for the Australian Film, Television and Radio School?

**Dr Stokes**—I am aware of the funding basis for the film and television school, as well as NIDA. The funding rate is much lower for the VCA.

**CHAIR**—Is the government concerned about the capacity of the VCA to survive that sort of reduction in funding?

**Dr Stokes**—Yes, it is. I have been in discussions with my colleagues in DEST for some months about how to address this issue. My minister has raised it with Minister Nelson.

**CHAIR**—What is the response?

**Dr Stokes**—The general tenor of the Commonwealth's response is to acknowledge that it is problem and that it does need addressing. No agreement has been reached on a solution and, as far as I can see, no agreement on a solution is close. But it does appear that the Commonwealth acknowledges that it is an issue and it does need to be resolved.

**CHAIR**—Does the government support the transfer of the VCA out of the department of education into DEST?

**Dr Stokes**—Yes, that would seem like an attractive solution, provided the transfer was at the present funding rate and included access to capital, and one or two other things. It does seem to the Victorian government—I guess it would seem that way, wouldn't it?—that the Victorian College of the Arts is a jewel in the national crown of creative and performing arts training and does deserve national status because it attracts a national clientele of students, not just a Victorian one that NIDA and the Film, Television and Radio School have. So that would be an attractive solution.

**Senator TIERNEY**—Universities are major drivers of state economies, particularly in regional Australia. What sort of support does the state government provide in particular to

regional universities? You did compliment the Commonwealth on this package having a regional loading of \$22 million. What does the state do to support universities in regional areas in that they are major drivers of those economies?

**Dr Stokes**—Bearing in mind that the primary financial responsibility for the funding of universities was voluntarily assumed by the Commonwealth in 1974, you would not expect the state contribution to be comparable in scale or size. Nevertheless, the Victorian state contribution to its universities is substantial. Across the range of portfolios of the Victorian government it is demonstrably in excess of \$100 million a year. Specifically in relation to the issue you have mentioned, through the Department of Innovation, Industry and Regional Development, a substantial number of capital grants have been made to institutions for the development of campuses in regional areas. In the case of this institution, the campus at Hamilton was paid for by the state government. There have been state government grants in recent years for the University of Ballarat and for campuses of the La Trobe University at Bendigo, Mildura and Albury. At present the state government is actively in negotiations and discussions with the Commonwealth and the City of Greater Shepparton around the development of a multiple-institution higher education centre in Shepparton.

**Senator TIERNEY**—That is on the positive side of the ledger. What about the negative side of the ledger? What do states drain out of the universities? Let us start with payroll tax.

**Dr Stokes**—Off the top of my head I could not give you the figure that is paid. But universities certainly do pay payroll tax, as does other industry in Victoria.

**Senator TIERNEY**—Do you keep track of other charges that you put on universities?

**Dr Stokes**—We have a large number of consultative mechanisms, including the minister meeting with the vice-chancellors and the chancellors regularly, which give the universities the opportunity to indicate whether they have concerns over the impact of state charges on their universities. There have not been any recent cases of them raising those issues with us.

**Senator TIERNEY**—When you bring in new state laws—often it is a requirement right across all of industry with things like EEO, occupational health and safety and a whole range of other things, and obviously state governments should bring in these sorts of requirements—do you ever put budgets with them, or do you always require the institutions to totally pick up the tab for them?

**Dr Stokes**—Generally speaking, the financial obligation that compliance requires would be an expense of the universities. Again the state government would be receptive to any consultations of the universities which indicated they were unfairly burdened by any changes, and again I am not aware of any issues that have been raised with the government about that.

**Senator TIERNEY**—I suppose it is not a matter of being unfairly burdened; it is a matter of it being a burden that is a cost that comes off the university's bottom line. As director of the higher education unit, have you made a study of how much compliance with state legislation costs Victorian universities?

**Dr Stokes**—We have not made such a study. What we have done most like that most recently is that we are actively working with the institutions in Victoria that are dual sector institutions—that is, higher education and vocational education and training—to identify areas where state and Commonwealth compliance overlaps and duplicates, with a view to rationalising that overlap and duplication and reducing the burden on the institutions. That is an area where state government compliance requirements in relation to vocational education and training can be and will be amended to reduce unnecessary duplication.

**Senator TIERNEY**—Have you made much progress on that, or is that just in the planning stage?

**Dr Stokes**—I would not say that the problem is resolved, but it is being addressed.

**Senator TIERNEY**—If we were to look at that \$100 million you provide across all departments and then take away payroll tax and all the compliance costs, what would be the balance?

**Dr Stokes**—The Victorian university sector is very important to the state government and its health is a matter of major concern. One whole area which we have not touched on in discussions here—because it is a relatively minor dimension to the Commonwealth package—is research. Collectively, Victoria's universities are leading research institutions in the country, and the state government has high regard for that and places a good deal of money into it. The health sector is one in which state government funding is, and traditionally has been, very substantial in supporting the salaries of medical academics as well as funding a number of programs. You would be aware of the government's commitment to the development of the synchrotron. I did not include that in that \$100 million; that is an additional once-off contribution of \$150 million.

It is our view that the university sector is highly regarded by the state government and that, on balance, it benefits from state government funding. You point to compliance requirements. There are also many compliance requirements on universities from Commonwealth legislation and the Commonwealth, in its funding of universities, does not recognise separately the requirement of the universities to comply with its legislation either.

**Senator TIERNEY**—What is the staffing of the Victorian department of education which oversees schools, TAFEs and universities? I am talking about administrative staff and not teaching staff.

**Dr Stokes**—I am not sure that the number I have is terribly reliable, but I believe the head office staff in No. 2 Treasury Place is in the order of 1500.

**Senator TIERNEY**—In your division in higher education how many are there?

**Dr Stokes**—The total staff complement would be around 12 EFTS—that is, equivalent full-time staff.

**Senator TIERNEY**—That seems to be a pretty low number. If universities can be major drivers of state economies, why doesn't the higher education unit have a bit more muscle and manpower?

**Dr Stokes**—That level of funding compares reasonably favourably; it is larger than most other states and territories. I think Queensland might be slightly larger.

**Senator TIERNEY**—But it is a pretty small number.

**Dr Stokes**—The second thing to say is that the public servants who work in my office are not the only public servants in Victoria who have responsibilities for universities. There are a substantial number in other portfolios—for example, Health as well as Industry, Innovation and Regional Development—who are also largely involved in work that involves the universities. I would not be in a position to estimate that number, but it would be substantially more than those who work in my office. The same would be true in other states. State governments are in a much better position to understand at a more microlevel the role of universities and the way they need to dovetail into the industry and economic and social activities of their states. That is something which the Commonwealth does appear to be acknowledging in this package. There is a signal that the Commonwealth wishes to see a greater level of state involvement in consultation in, amongst other things, planning for the sector. That is welcomed by this government.

**Senator TIERNEY**—You mention 12 out of 1500, and then you say that there are other staff in other departments who would be undertaking supporting roles for universities. Do you have any coordinating function over what they do in those other departments?

**Dr Stokes**—Yes.

**Senator TIERNEY**—How do you relate to those?

**Dr Stokes**—Minister Kosky released a ministerial statement last October on higher education. Amongst the announcements she made in that statement was the one that my office would be given overall responsibility for coordination of the state's involvement in higher education. Amongst other things, that means that my office is responsible for supporting a higher education coordinating committee, which is chaired by the Secretary of the Department of Education and Training and has representatives on it from across all the other portfolios of the Victorian government at the level of deputy secretary. The job of that coordination committee, to which my office provides secretarial support, is precisely to provide a coordinated relationship between the state government and the university sector. I believe that is unique amongst the states and territories.

**Senator TIERNEY**—What impact does that committee have on what other departments are doing in terms of bringing support behind universities?

**Dr Stokes**—We are working at present through that committee to develop partnership agreements between the state government and each of the Victorian universities. That is being done around a core partnership agreement, which will be common to each of the universities. Appended to that will be schedules which cover the various relationships that that institution has with the various areas of government. To give an indication of the level of support that the government attaches to this kind of coordination, these partnership agreements will be signed by the premier. It will enable the institutions to be clear about what the state government's priorities are as they affect universities and for it to be clear across the portfolios of the state government what each of those portfolios is up to in relation to the others. You would be aware that large

bureaucracies often duplicate what they do or compete with one another unintentionally. That mechanism allows for that kind of unintentional competition to be eliminated or at least, if it is going to be there, to be intentional.

**Senator STOTT DESPOJA**—First of all, Dr Stokes, I apologise for our being momentarily distracted by that most excellent protest. As one colleague has said, I think we have found the photo for the cover of our report—but I should be careful. You mentioned, in response to Senator Carr's questioning about MCEETYA, the meetings or negotiations that you had had with government about the governance protocols et cetera. What meetings have you had in Victoria involving universities here—that is, with their administrations or specifically with the vice-chancellors of the institutions—regarding governance issues?

**Dr Stokes**—Do you mean around the particular governance protocol issue?

**Senator STOTT DESPOJA**—Yes.

**Dr Stokes**—The minister has met with what is called the higher education roundtable. That is chaired by the minister and has on it two of her colleagues, Minister Pike and Minister Brumby, and their secretaries; the Secretary of the Department of Education and Training; and the vice-chancellors of each of the eight universities. That committee or group working party meets about quarterly. It met formally about 10 days or a fortnight before the MCEETYA meeting in Perth. The minister sought advice from the vice-chancellors across a range of issues in relation to this package so that she would be in a position to raise them with Dr Nelson in Perth. Among the issues which were discussed was the proposed governance protocol and its potential impact on Victoria.

**Senator STOTT DESPOJA**—No resolution came out of that particular meeting; presumably it was just a discussion about the protocol concerns?

**Dr Stokes**—It was a discussion which resulted in the issues that were raised by the vice-chancellors being reflected in this submission and in the submission on the allocation of university places. The minister indicated her position in relation to one or two matters. Of course, the national governance protocols that are proposed are largely derived from the recent Victorian review of university governance, which was very widely welcomed within Victoria by the institutions. Three university vice-chancellors were on the panel that advised the minister on that.

Most of the protocols are not a matter of great concern to the Victorian institutions, but there are two matters in the protocols which do concern them. One is the number of members on councils, which is a reduction on the Victorian model. All councils have either 21 or 22 members, and this would see them being reduced to 18. Secondly, the prohibition on members of parliament being members of councils is another difference from the Victorian practice. In Victoria, universities do not have members of councils who are elected by the houses of parliament. However, there is no prohibition on governments or councils appointing members of parliament if they choose to. In fact, at least one example exists of that: a frontbencher in the Victorian Liberal Party is a member of the University of Melbourne's council. My minister's position is that that is perfectly appropriate and should continue, and she made that clear to the vice-chancellors. Minister Kosky is also meeting with the chancellors of the Victorian

universities in November and will raise this governance issue with them as the chief governance officers of the universities as well as a matter that was raised with her by the Auditor-General in a recent report that he did on this university.

**Senator STOTT DESPOJA**—You have made clear in your comments today your concerns about the impact of fees and charges. I want to clarify for the record that the Bracks government—this state government—does not support increased fees in the form of the up to 30 per cent increase in HECS and the doubling of up-front full fee paying undergraduate places. Is that correct?

**Dr Stokes**—Absolutely. The government's position is in opposition to both those measures, yes.

**Senator STOTT DESPOJA**—And you are also in opposition to the proposed introduction of so-called voluntary student unionism?

**Dr Stokes**—Yes, we are opposed to that as well. The government's position is that the student contributions towards higher education are already too high, so it is opposed to the current level of contribution by students, which are the ones depicted in the graph. So an increase would make worse things that are already bad.

**Senator STOTT DESPOJA**—In relation to international students—and I am happy for you to take this on notice given that it is not necessarily a part of the legislation—as part of the package there was an increase in the visa charges and registration costs for overseas students and their providers. Does the state government have a view on that? Do you have any view on those increased imposts?

**Dr Stokes**—The government's position is that it is a very substantial increase in charges both on institutions and on students. I think the minister's position is a bit open minded on the matter—in that, if the Commonwealth government is able to demonstrate that the resulting increase in services provided to stimulate international student demand and to support international students is commensurate with the increase in the funding that has been extracted from the university and the students, that might be an acceptable thing. But the government has indicated its concern at the level of increased fees. My understanding is that those funds are expected to be spent in programs under the international group of DEST and if they have effects which are commensurate with the costs then perhaps they are worth it, but it is a large amount of money and we are concerned by that.

**Senator STOTT DESPOJA**—Thank you.

**CHAIR**—Thank you for appearing here today.

**Dr Stokes**—It was my pleasure.

[10.15 a.m.]

**CALLAGHAN, Mr Vincent, Spokesperson, Student Financial Advisers Network**

**DEUTSCHER, Mr Roger, Chairperson, Student Financial Advisers Network**

**SEAL, Mr Patrick, Member, Student Financial Advisers Network**

**CHAIR**—Welcome. The subcommittee has before it submission No. 474. Do you have any comments to make on the capacity in which you appear?

**Mr Callaghan**—I am also the spokesperson for the Australian and New Zealand Student Services Association.

**CHAIR**—Are there any changes you would like to make to your submission?

**Mr Seal**—Yes. On page 2, we would like to change a date from the 1 January 2003 to 1 January 2005.

**CHAIR**—The subcommittee prefers all evidence to be given in public, although the subcommittee will also consider any requests for all or part of your evidence to be given in camera. However, I point out that such evidence may subsequently be made public by order of the Senate. I invite you to make a brief opening statement.

**Mr Callaghan**—There are three of us, so we will try to keep the comments fairly short. The Student Financial Advisers Network are a group of counsellors and student financial advisers on most tertiary campuses in Australia. We see at first-hand and advise students on matters of finances, youth allowance, Austudy, loans on university campuses, supplement loans and so on. We are a group of people who are hands-on. I think it is valuable—after listening to the last two speakers, who were both very interesting—to know that a lot of student issues are issues that we deal with on a day-to-day basis.

The paper in front of you deals with a whole lot of issues, but there are three major issues that we think need to be highlighted. One is the issue of equity, the second is the issue of debt aversion and the third issue is that, at a time of major change to student finances and the profile of students in the next few years, there has been a deathly silence on any possible changes to youth allowance and Austudy. In fact, there has not been any substantial change since 1986, when Austudy was brought in, despite the 1997 changeover to youth allowance and Austudy. There has been very little in the way of change and very little in the way of profiling.

Very briefly, on the first issue of equity, one of the areas that the Student Financial Advisers Network and the Australian and New Zealand Student Services Association are very concerned about is that, over the last two decades, although the research and Senate and House of Representatives inquiries have indicated an awareness of the disadvantage that rural, regional and isolated students have in their participation rates in tertiary education, absolutely nothing has been done to assist them.



I was a little bemused this morning when Professor Gilbert said that the greatest opportunity and the greatest investment that students can have is in tertiary education—but they have to get there! Once they get there, that may be the case, but we know that rural, regional and isolated students are four to five times less likely to go on to tertiary education than their metropolitan counterparts. Most of the research that has been done by Richard James and by the various House of Reps committees recognises that the reasons given for the lack of participation rates of these students is the perception of regional, rural and isolated families of the cost of the education weighed up against its value. If you are going to increase HECS charges by 30 per cent, you will increase the disadvantage for rural, regional and isolated students because the perception, once again, is that the cost of that education is going to increase.

Full fee paying places are also a major disincentive for regional, rural and isolated students. For example, a metropolitan student takes up a full fee paying place which costs, say, \$12,000—let's be conservative. If it is a regional, rural or isolated student, it is \$12,000-plus at the University of Melbourne. I am using only the University of Melbourne as an example here, partly because I paid the fee for my son. In any of the colleges at the University of Melbourne, any rural, regional or isolated parent is going to be paying at least \$12,500 in accommodation fees—one more disincentive for those students. Patrick is going to deal very briefly with debt aversion and debt problems.

**Mr Seal**—Vince has covered the issue of debt aversion somewhat. A great deal of research has been done to endorse what Vince has said over the years. There was the Crossroads review in 2002 and Richard James et al in 1999. We talk about the cost-benefit analysis for rural students determining the fact that they often decide that the losses are more significant than the gains to be made from a tertiary education. In a cabinet submission in 1999, Dr David Kemp acknowledged the huge regional disparities in university participation. The perception of high fees and high costs will do nothing to undermine those outcomes. The current perception of high costs, with the introduction of 50 per cent full fees and the FEE-HELP program, will become reality.

In New Zealand, where a loan scheme was introduced in 1992, Barbara Scelly, who is one of our counterparts in New Zealand, has conducted research which has interesting findings in respect of the consequences of this debt situation for students in New Zealand. This results in reduced engagement in studies, through specifically finance-related anxieties with which student counsellors now have to be preoccupied.

There are even issues like student hunger. Students just cannot afford to buy adequate food in a lot of circumstances. Drop-out rates for students after the first year, specifically for financial reasons, include a 71.4 per cent drop-out rate for Maori students. There is also a mass exodus from the country, to avoid having to pay off their student debts. On the other side of that coin, a credit mentality has developed in students, where their level of debt becomes so insurmountable that they no longer care—they just keep accumulating debts. Really, the die is cast for the rest of their lives, financially, in those cases.

The other interesting point raised by researchers is that increased attention to financial problems, resulting in increased participation in part-time work, has not had an adverse effect on overall student results. If you look at the research more closely, overall student academic results might not be affected in some cases, but general academic engagement is affected. Many of the

tactics employed by students to deal with the increased need for part-time work are things like preparing for fewer tutorials, attending fewer lectures, studying specifically for exams and not for the duration of their semester units. There is an overall diminished engagement in their educational life, which I think is a negative consequence as well. Roger might want to talk about some of the Centrelink issues that have not been addressed.

**Mr Deutscher**—The absence of Centrelink, youth allowance and Austudy payments is a serious omission. It is a major plank in support of disadvantaged students, and yet the government seems absolutely silent in this area. One of our concerns about Centrelink is the fact that, for the past decade, it has hardly moved. There is a lot of research around indicating that students are working more and more. I would suggest that this is not from choice but because the income test which applies to youth allowance and Austudy, apart from a minor adjustment with the introduction of the GST, has remained at \$6,000 a year since, I think, 1992. The youth allowance itself has not even kept up with CPI increases. As a consequence, students are forced to work more and more, just to cover basic living costs. This is a concern for all students but is of particular concern to those students who have to live away from home to study. Again, we have the situation that students from rural and regional areas are particularly disadvantaged.

**Senator CROSSIN**—I found your submission particularly interesting, especially where you talk about the counterargument between the value and worth of going to university. This morning, we heard from Professor Gilbert that you spend \$28,000 on a HECS fee but, at the end of the day, if you make X hundreds of thousands of dollars over your whole working life, it is a fairly small investment. Your submission puts a counterargument to that, because the analysis by Professor Gilbert does not take into account real-life experiences and expenditure during one's life. Could you expand on some of that counterargument, to which your submission clearly goes?

**Mr Callaghan**—Patrick spoke before about debt and debt aversion. I come from a university where my vice-chancellor said, 'If we put up the HECS by 30 per cent, then it is only—in the top bracket for a lawyer, for instance—an extra \$8,000.' Well, that is an extra \$8,000, and I think students are very concerned about the amount of money by which they are going to be in debt. For instance, the average age for a female to repay her HECS is, I think, 44 and for a male it is about age 41. If we increase the HECS charge by an extra 30 per cent, we increase the average time for repayment of the HECS at a time when those same former students are paying perhaps a housing loan, perhaps a car loan. At six per cent—if they are paying it back at the top rate—those students are going to be in considerable debt, and they know that.

**Senator CROSSIN**—From some of what was said this morning, there seems to be a lack of acceptance that, although you may graduate with a law degree, you may well end up working in the Public Service, you may well end up working for a community legal service or an Indigenous legal service, where the salaries would barely—in the case of the Territory—go beyond, say, \$40,000. There is the assumption, I think, that at the end of the day the more you pay for the degree the more you are going to get paid in your job. Have you done any work to show that that is not necessarily the case?

**Mr Seal**—In the paper I raised three points about the assumption of high income upon completion of a degree. A lot of graduates, especially those in non-vocational degrees, end up being unemployed, or partly employed, for extended periods of time following graduation. I

think the average figure quoted for the first year out of university is \$35,000 in earnings. People in these categories will often earn a lot less than that amount, and in times of economic downturn these problems might be exacerbated and extended for longer periods. As you have mentioned as well, Senator, a lot of people opt to go into less lucrative fields of work, such as social work, teaching, child care or occupational therapy. These people discover that, over a long period, their income does not increase in the way that these assumptions of average student incomes indicate.

**Mr Deutscher**—We frequently see students who are in financial difficulties. It is very common that students, when offered the option of borrowing money, will turn down this offer. You only need to look at the low rate of acceptance by students, over the last few years, of the financial supplement loans scheme. It was a resounding failure. If students have an opportunity of borrowing, they are not interested. They would rather work so that the debt at the end of their degree is not so great. Unfortunately, the work they engage in to pay their costs often results in their engaging less in their study. So, at the same time as they are making an enormous investment in time and effort in their degree, they are downgrading the product by taking away the time when they should be studying. I would rather that students did not work, particularly towards the end of their degree, so that they can concentrate on their studies. Unfortunately, the reality is that for the vast majority of students this is not an option.

**Senator CROSSIN**—Because I come from the Northern Territory, your comments about the additional cost in terms of getting your child through higher education reflect something that my office deals with on almost a weekly basis. It is interesting that some of the same problems that we encountered earlier this week in Perth—there is no veterinary science course, for example, in Western Australia—occur in places like the Northern Territory and probably in most of Northern Australia, perhaps anywhere more than two kilometres out of Brisbane. There is a whole range of courses—in pharmacy, medicine, any of the allied health professions, in English, in journalism—that you cannot do in the Territory. There are also added costs, such as for air fares and living expenses. Have you made any particular analysis of the additional cost that is borne by people in rural Australia? I am not talking so much about regional Australia; to me, regional is places like Ballarat. I am talking about rural and remote Australia—here we have got to stretch our imagination a bit further—where there is an air fare included, including the fare to bring your child back at least twice a year to mix with the family, as well as ongoing living expenses.

**Mr Callaghan**—There has been a fair amount of work done in that area. I think the most recent and up-to-date piece of information is from *Paying their way*, which was the research done by Martin Hayden for the Australian Vice-Chancellors Committee. That was done in 2001, so it is fairly recent.

**Senator CROSSIN**—And you would stand by some of the analysis in that research?

**Mr Callaghan**—Definitely.

**Senator CROSSIN**—It stacks up with your experiences?

**Mr Callaghan**—That is right. It certainly does. And I think there were 20 or 21 universities involved in that study. This is something that the Student Financial Advisors Network has been concerned about over many years. Just as one example, if you are lucky enough to get a living at home allowance at the full rate, the amount that you get will be something like \$4,500 for the

year. If you are lucky enough to get the living away from home allowance at the maximum rate, you are going to get about \$7,000. It costs more than the differential to fly to various places, or to go—as my son did—to the University of Melbourne from Warrnambool. That took \$12,500, with no change. The costs are incredible, and it has been recognised again and again, but nothing really has been done about it.

**Senator CROSSIN**—So you would say that in this package there is no recognition of those additional needs for students coming from rural and regional Australia?

**Mr Callaghan**—Yes and no. I think they have brought in accommodation and other scholarships, not that there are that many. Family and Community Services are treating those scholarships as earned income, which is going to impact on the students' eligibility for youth allowance. It is interesting, as an aside, that Family and Community Services consider scholarships to be earned income for the purposes of their regulations but, on the other hand, if you want to get the independent allowance by using a scholarship as earned income it has changed to—

**Mr Deutscher**—A valuable consideration.

**Mr Callaghan**—a valuable consideration, and it is not earned income. They have brought in scholarships; however, it is interesting that the scholarships will not really assist in participation by rural and isolated students, because those scholarships are not going to be allocated until after the census date. So you would not know whether or not you are going to be eligible. Also, they are going to be given to universities on the basis of the universities' profiles. Next year there might be merely 10 or 15 scholarships per university, or something like that; there are not very many. The government would say that they are addressing the situation of rural and isolated students and equity issues with the scholarships, but I think that is tokenism.

**Mr Seal**—Even for students from urban backgrounds who live out of home, the average cost of living is somewhere between \$14,000 and \$17,000 a year. That in itself is quite substantial and is increasing. There is no way that any government assistance addresses that disparity.

**Senator TIERNEY**—I would like to stand back and look at the basics and get your reaction. We have in the country at the moment a system that is pretty much agreed to between the two major parties. The Labor Party implemented a system of fees and that has been continued on and changed in this package as well. But the whole basis of that is that people who go to university have a higher income on average than people who do not go to university do and, therefore, there is a private benefits as well as a public benefit to their education. The view has been that they should in some way contribute to that, mainly through the payment of HECS. Are you disagreeing with that proposition?

**Mr Callaghan**—We are partly disagreeing with it. When HECS was brought in, in 1989, there did not seem to be any major change. However, as Professor Bruce Chapman has pointed out, when changes were made to HECS in 1997 there were major disadvantages and some students were quite seriously disadvantaged. Rural and isolated students were one group and mature age students were another. That change, in which they brought in the three bands and increased the repayment amounts, and this change now, where universities can charge up to 30 per cent, will seriously disadvantage students.

**Senator TIERNEY**—Of course, the three bands proposal was the original Wran proposal in 1989, which was not initially implemented but later implemented. Broadly, the basis of that was the cost of the course and projected income from the course. I know you can argue at the edges about certain courses—perhaps they could be up or down a band—but surely the principle that you vary at base on-cost and projected income is sound?

**Mr Callaghan**—I have no problems with that. Our issues are really to do with changes which it is perceived will disadvantage the students, and disadvantage them in their participation. That is the inequity of the situation.

**Senator TIERNEY**—Let us come to that point about participation. I think we have got world's best practice in terms of the way we do this: people pay back through the tax system. I have five children who have gone through university and are nearly finished or have graduated. I do not pay any of their HECS, and the reason is that when they get to \$30,000 they will start paying it in an easy way. That applies to anyone across the country.

**Mr Callaghan**—It applies to me.

**Senator TIERNEY**—Exactly. And if people do not reach that, they do not pay it. You said that is inequitable. Why is it inequitable? It is not based on their parents' income; it is based on when they themselves get to a certain level of income, and that applies to all, regardless of their background.

**Mr Callaghan**—My point is not that that is inequitable. My problem still is—and I would be interested in Senator Crossin's views on this—that rural and isolated students' participation rates are seriously low. I believe the reason for their participation rates being as low as they are is the perception of the cost of education, that perception being to do with HECS and also sometimes because of a confusion between HECS and up-front fees.

**Senator TIERNEY**—That really has nothing to do with this package. That has always been the case. There has always been a problem for students who are in rural areas. I tried to convince all my five to go to the University of Newcastle, which is 10 or 15 minutes away, but they went across Sydney and all over the place. That is very costly, but it always has been. Regardless of whether we stay with the current system, whether we bring in the package or whether you bring in Labor's package, we still have the tyranny of distance in this country.

**Mr Seal**—I guess, Senator, your point rests on an assumption of high earning potential almost right across the board. That might apply to a percentage of graduates, but, as I mentioned before and is outlined in the paper, there are significant numbers of students who do not have high earning potential and will not earn large amounts of money upon graduation—or even throughout the rest of their lifetimes.

**Senator TIERNEY**—Then they do not have to pay it back. They have got to get to the threshold.

**Mr Seal**—They do have to pay it back. If they are earning \$50,000 they have to pay it back, but they may have large mortgages to pay, families to care for. In the context of the massive property boom and prices of properties, for example, that becomes problematic, to say the least.

**Senator TIERNEY**—I suppose, stepping back, broadly it has been raised as the issue that there are 70 per cent of parents whose children do not go to university at all. They pay taxes, and their taxes then assist those who have got then the better jobs and the better incomes. So as a matter of fact it is a subsidy of the rich by the poor through the tax system, if you leave it like that.

**Mr Seal**—Do none of the people in that 70 per cent aspire to go to university?

**Senator TIERNEY**—The reality is that 30 per cent go to university and 70 per cent do not. That is a given. They might aspire to, but that is not what happens in the end. And they are cross-subsidising the ones who have the higher income potential, if we take the argument that you are advancing.

**Senator STOTT DESPOJA**—Gentlemen, is it your understanding that, in the past 10 years, based on some of the evidence you have provided today, those key equity groups—people from lower socioeconomic backgrounds, people from regional, remote and rural backgrounds and people from Indigenous backgrounds—have not necessarily increased their participation rate in the higher education sector?

**Mr Callaghan**—I spent a couple of days at a conference with DEST in Canberra, about three weeks ago. Kerry-Lee Krause, a researcher from the University of Melbourne, has done a fair amount of work in this area. I am not sure that it is actually completed, but certainly her work is very close to completion. Her assessment is that the numbers of students in each of the equity areas have increased but the percentage of students in some of those equity groups has not increased. It has stayed stable. There has been some increase in non-English-speaking background students and also women but not in lower socioeconomic status students and not in rural and isolated or Indigenous students.

**Senator STOTT DESPOJA**—It might be useful to get some of her research on record.

**Mr Callaghan**—I think she is very close to completing it. It is a work in progress for DEST.

**Senator STOTT DESPOJA**—Is it appropriate that we should even debate a package that excludes the vital issue of income support? Is there any point in the parliament or the nation dealing with fundamental changes to higher education while that component is missing? Or can you debate them separately?

**Mr Callaghan**—I am happy to answer, but I do not want to be hogging the microphone. I believe that you need to deal first with the changing profile of students. I mentioned before the AVCC document *Paying their way*, which quite clearly showed the financial difficulties that students are in and pointed to various areas of possible change. It is quite interesting that DEST did not want to be part of that research. It refused to be part of it. For a package which starts to change the financial situation for students not to consider youth allowance or Austudy I think is criminal.

**Senator STOTT DESPOJA**—With all due respect, I am finding this the most frustrating session of all so far, but not because I do not agree with everything you are saying. You have invoked, or at least alluded to, a range of reports—the Price report, *Paying their way*, the Birrell

research, James; you name it, most of us have read it—but tell us: what, in your mind, is going to change policy makers' views? It is not as if we do not know all the answers that you have put forward in here and that we have heard from you today or previously. I have moved amendments, as you would know: an independent rate at 18, at 21, reduction of the parental threshold, an increase up to the poverty line, relaxation of the assets test for farming families. It took me 12 times to get that one relaxed. So what will make the difference, and do you think it is really going to make a difference this time round? I am not sure what else we can do.

**Senator CROSSIN**—Especially when you have got a budget surplus.

**Mr Seal**—I guess we are in the business of raising awareness. I personally do not really have the answers, but the Nelson report is a document that in my opinion seeks to obfuscate the reality that a lot of students have to experience in terms of poverty and difficulties. We just want to raise awareness about that, and to suggest that the government take that into account and be more explicit in addressing those issues.

**Senator STOTT DESPOJA**—What then are your recommendations today to us as a committee? I have got your submission in front of me, and clearly there is nothing that points to the increased fees and charges as doing anything but exacerbating levels of debt and perceived debt aversion. Does that mean that we throw out the package? Do we try and ameliorate that by amending it? What do we do with this package that we have before us now, in order to satisfy some of the legitimate concerns that you have all raised?

**Mr Deutscher**—There is a range of options here. We have not necessarily outlined them. I think the issue of scholarships is a really important one. However, the range and the number of scholarships that have been outlined in the package is clearly inadequate. I do think that some changes to the Austudy and Youth Allowance system would ameliorate some of the difficulties that students will experience under these changes. We will be expecting students, particularly where they are offered loans, to work more rather than to take out more loans, and we would then like them to get the full benefit of any work that they do, as opposed to their working to pay one side of government and another government department, FaCS, taking it away from them. This issue is similar to the one that we have with the scholarships.

**Senator STOTT DESPOJA**—On the issue of loans: you are dealing with two loan systems now, the HECS-HELP and the FEE-HELP. One attracts real interest of 3.5 per cent plus CPI, and they have got to be paid back in a specific order—obviously, the interest-free one is to be paid back first, and then the one that attracts the real interest is paid back second. We can only begin to imagine the impact that will have on student debt levels. Have you done any assessment of what you think that impact will be?

**Mr Deutscher**—We do not actually conduct any research ourselves—our members are primarily dealing with students on a day-to-day basis—but there is quite a bit of research that has been done in other universities.

**Senator STOTT DESPOJA**—There probably has not been a lot of time to assess it.

**Mr Deutscher**—No. The combination of these two loans is something new. We can try and make an estimation of what will happen. We look at the way students have reacted with the

supplement loan; we look at the way students react when offered the private loans that are usually available through universities, particularly with the introduction of full fee places a few years ago. We have watched students try and deal with those. In some cases that has put a very heavy burden on the private universities' loan funds. Some universities have had to make decisions that they cannot help out students in this situation. We have certainly seen cases where students have embarked on a full fee paying course and had to abandon it part way through, at great financial loss.

On the measures that have been proposed, I know that Alan Gilbert said earlier that even the \$50,000 limit on fees is inadequate. As was clearly outlined in some of the posters that the students were carrying as I came in, there are not all that many courses around, for example at the University of Melbourne, where a \$50,000 loan would come near to covering the fee. I think a medical degree is going to cost more like \$150,000. There are answers and ideas in the paper, but they just do not go far enough.

**Senator STOTT DESPOJA**—You raised the issue of the financial supplement loans. You would be aware that next week, when we go back to parliament, the Senate will be debating whether or not to close down that scheme. Have you any advice for senators? Is it a possible or appropriate solution to grandfather the students currently on the scheme, and then allow the closure of the scheme?

**Mr Callaghan**—Yes.

**Senator STOTT DESPOJA**—You would support that?

**Mr Callaghan**—Yes, I would. Our organisation has not been happy with the supplement loans scheme since it was brought in; we opposed it then. Certainly some students have been advantaged by it, but they are few and far between. However, at the moment those students who have used the supplement loans scheme in order to get through their course might be left high and dry. We are only talking about a couple of years of grandfathering, which I do not see as a problem at all. Centrelink was to write to every student who was on the supplement loan to tell them that it was closing down as of 1 January 2004 and that they could then follow through with campus loan schemes. That was very presumptuous of Centrelink, I thought. A grandfathering clause might be the way to go about it.

**Senator STOTT DESPOJA**—I have moved that, but the government is not keen on that idea. If it will not grandfather those students, what would you recommend?

**Mr Callaghan**—There are very few options.

**Senator STOTT DESPOJA**—We either close down or we keep it. Have you got a recommendation?

**Mr Callaghan**—I have never really been happy with it. I think it is a con.

**Senator STOTT DESPOJA**—Nor was I. We voted against it. But now you have got students who are dependent on that loan. What do you do?



**Mr Callaghan**—I really do not know. There is no answer to this one.

**Senator STOTT DESPOJA**—We have got to vote on it on Thursday, so we were looking for your expert advice.

**Mr Callaghan**—Having gone to Canberra and sat opposite Bruce Chapman and Damian Smith when they were bringing it in—

**Senator STOTT DESPOJA**—I remember those times.

**Mr Callaghan**—and saying that I opposed it and that students would not go for these loans, I remember that Bruce Chapman looked me in the eye and said, ‘Well, I won’t call it a loan; I’ll call it a supplement.’

**Senator STOTT DESPOJA**—It is a contribution scheme, not a tax!

**Mr Callaghan**—That is right. In all conscience I could not say that I think it should continue, but I am concerned for those students who will be disadvantaged.

**CHAIR**—Thank you very much.

**Proceedings suspended from 10.55 a.m. to 11.19 a.m.**

**TOMLINSON, Dr Michael, Executive Director, Swinburne University of Technology**

**WALLACE, Professor John Gilbert (Iain), Vice-Chancellor and President, Swinburne University of Technology**

**CHAIR**—Welcome. The subcommittee has before it submission No. 32. Are there any changes you would like to make?

**Prof. Wallace**—No.

**CHAIR**—The subcommittee prefers all evidence to be given in public, although the subcommittee will also consider any request for all or part of your evidence to be given in camera. However, I point out that such evidence may subsequently be made public by order of the Senate. I now invite you to make a brief opening statement.

**Prof. Wallace**—We propose that Dr Tomlinson address the first few points we wish to highlight and then I will conclude.

**Dr Tomlinson**—I would like to briefly remind people of some of the main points of our submission. We have addressed this largely from the perspective of the university sector and what we believe the needs of the sector are and also, I suppose, what the needs of the Australian population are. The fundamental need is probably to boost the amount of public investment that is being put into the sector on a per student basis. The figures clearly show—and the AVCC has compiled these figures over a number of years—that the amount of public money put into the system per undergraduate student has declined steadily over the last 10 years or so. You can see the consequences of this if you look at the way staff-student ratios have developed in the universities over the same period. There has been a very definite upward trend in that as the downward trend of public investment per student has continued.

In looking at a package such as the one the government has put forward, we ask how the package is addressing some of these needs. It does go some way towards addressing the needs but not as far as we would obviously hope. Although there is a certain amount of percentage increase in the Commonwealth Grants Scheme per student over three years, this is only for three years and there is no commitment beyond the three years. There are strings and conditions attached, some of which are problematic, and it stops after three years.

One of the major deficiencies we would see is the lack of a return to full salary indexation. One of the reasons why the amount of public subsidy per student has eroded over the years is that in the old days, as you would be aware, the Commonwealth used to supplement university grants according to a formula that was related to the consumer price index and it no longer does so. There is a formula but it is less than the consumer price index. So that is one of the major problems that we see.

Another problem which particularly affects us is that under the new scheme there is no funding made available for industry based learning places—the more general term is ‘cooperative education places’. Swinburne has one of the largest percentages of cooperative

education places of any university in the system; about seven per cent of our student load at any one time is out on placement in industry supervised by an industry supervisor and by a university supervisor.

Cooperative education has been funded by the Commonwealth since we started doing this in the sixties. This is the first time the Commonwealth has decided it will no longer fund cooperative education. Given that the government's own priorities are to try and encourage cooperation between industry and universities, this seems a significant problem.

We also see problems in the area of equity. As the previous speakers mentioned, student support has not been addressed by the package and that is one of the big issues. In the universities we see the pressures that students are under because of their need to go out and earn money to support themselves. It is becoming more and more of a problem. There is a danger that this will impact on their studies.

The last thing that I want to say before handing over to Professor Wallace is that I have been on leave for a couple of weeks and I have been looking at the debate in the newspapers with a more than usual detachment. One of the things that strikes me is that the whole debate is continuing on the basis of a number of assumptions on all sides. One of the assumptions is that we must continue to cap the number of university places that are available.

This is something which I think we need to look at. We need to reframe this and ask if this is actually necessary. We are in a situation where as of 2002, according to AVCC calculations, there were 49,000 applicants for university places who could not get a place. In addition to that, there are about 32,000 places that are being offered by the universities currently on the basis of overenrolment partial funding. If you take those out of the system and if you include pipeline effects, we are probably looking at a total shortfall of over 100,000 places between what the public wants and what the universities are currently able to offer.

I would have thought that in looking at higher education funding systems the objective should be: how do we configure the system so that we can offer places to all Australians who actually want one? There are a number of ways of going about this. One possibility would be simply to lift the cap but to further dilute the amount of public subsidy that is given to each place. It would have to be fairly substantially diluted in order to satisfy that demand for 100,000 places. But there are other possibilities as well which we are very much interested in and which we have advocated in our submission. I would now like to hand over to Professor Wallace to make some remarks about those.

**Prof. Wallace**—In effect in addressing this aspect we are picking up on your fifth term of reference, where you are asked to look at alternative policy and funding options for higher education. We have argued in our submission that a huge area which is missing from the current debate is in fact the rest of the tertiary scene in Australia. In other words, we should not just be fixating on universities but should actually be looking at universities against the backdrop of the TAFE system as well.

Until we talk seriously about coming up with policies and strategies which will meet the kind of numerical challenge which Michael has just depicted I believe that we are just not being real about what we are talking about. There is no way that the nation could afford to meet the

demand—looking at the demography going forward over the next 20 years—on the current funding basis or the proposed enhanced funding basis which both the Nelson proposals and indeed the Labor Party policy involve with the structure that we have now.

In our submission we have painted a different picture in which we have four-year undergraduate degrees. The first two years of those would be conducted outside the university system but within higher education accreditation and curricula. As of a week past on Monday, the associate degree is now in the Australian qualifications framework and is fully described. That will be available from 1 January next year. So that is the first thing that had to happen.

We believe that this should be accompanied by one of two other initiatives. One of them is the availability of learning accounts for individual learners. I know that the Labor Party have been looking at that. There is a pilot running in the United Kingdom under the Blair government. I will not describe a learning account because as you know it is described in our submission and I think we all know what I am talking about in relation to that. The learning accounts in themselves will give an opportunity for new participants in terms of funding individual learners' situations. There are a number of interests that, if the tax situation were made attractive to them, would be likely to make such investments through contributions to individual learning accounts.

There are also a number of other funding sources that are not being tapped in the current scene—for example, alumni. We all struggle to try and get alumni associations to turn into contributors. This is not yet part of the Australian culture. We have suggested that it should be a national goal and that there should be a national campaign to try to create the same sort of attitude towards universities on the part of the alumni with which we are all thoroughly familiar with in North America.

So it is a combination of, if you like, new administrative arrangements and enlarging the picture to bring in the TAFE and other systems as well as the universities. I believe—just to round off—that until we do something like this we are all just engaging in rhetoric when we talk about the availability of lifelong learning. It is not an Australian reality at all. We need to do something along these lines, accompanied by one or two other things. For example, in Victoria we are now working on a credit matrix which would remove at one stroke many of the barriers to lifelong learning—that is the administrative side; the financial side is the other big impediment. Until we have an integrated approach like the one we are advocating that impediment will not be scaled by most of the Australian community.

**CHAIR**—Professor Wallace, it is quite clear that the movement is on in terms of the Senate. This package is not going to survive.

**Prof. Wallace**—I gather that from this morning's paper.

**CHAIR**—What amendments would you like to see now we have the possibility for significant shifts in the arrangements?

**Prof. Wallace**—Being thoroughly realistic about it, I would like to believe that the fact that it is not going to go through should give you all an opportunity to step back and look again at the entire picture. It seems to me a desperate pity that all of this has become essentially a political issue. It is too important to be a political issue.

**CHAIR**—I note that your university is not a big beneficiary of this package; in fact, I take it you have done some modelling?

**Prof. Wallace**—We have, yes. We are marginally on the positive side.

**CHAIR**—Very marginally, I would say.

**Prof. Wallace**—We are not one of the big winners.

**CHAIR**—By my reading of the government's figures, it is extremely marginal.

**Prof. Wallace**—Yes, but the figures have a couple of errors which do help us a bit. As they are supposed to be shortly getting around to publishing a second set of those figures, we will be improved a little bit.

**CHAIR**—But the figures will depend on your commitment to the governance requirements, which are a state responsibility and constitutionally remain a state responsibility, and IR matters, which I understand the vice-chancellors say are totally unworkable. Would you agree with that?

**Prof. Wallace**—I completely agree with that. On the matter of governance, of course the Victorian universities have already had their councils reformed, and so we would not wish to revisit that.

**CHAIR**—How much was the IR component in terms of your modelling? If you do not get the IR, what would the difference be?

**Prof. Wallace**—Obviously there is a very significant sum of money that hangs on the IR compliance.

**CHAIR**—How many millions?

**Prof. Wallace**—Over \$400 million hangs on it.

**CHAIR**—That is the whole package?

**Prof. Wallace**—That is the whole package, yes.

**CHAIR**—You do not intend to get all of it, do you?

**Prof. Wallace**—It is probably about \$25 for us, but it is a lot for the system.

**CHAIR**—The Vice-Chancellor of the University of Sydney, which is a major beneficiary whichever way you look at it, said there is an ill-conceived commitment to voluntary student unionism, an overly tight straightjacket for the distribution and redistribution of government subsidised places, an excessive degree of control inherent in the discipline mix, a potential for gross intrusion upon university autonomy, academic freedom and student choice and there is a

totally illogical link between the funding and industrial relations, and there is no indexation. He says the package is not sustainable. How much of that would you agree with?

**Prof. Wallace**—I do not always agree with Gavin, but I do agree with him on all of that.

**CHAIR**—Would you like to see amendments in all of those areas?

**Prof. Wallace**—Yes.

**CHAIR**—The University of Melbourne, another great beneficiary of this package up until recent times, has been relatively supportive. They have now indicated that they see a major departure in terms of the legislation from the principles outlined through the consultation processes. Professor Gilbert has reiterated today to us that the regulations may not be worth the money. Would you concur with that view?

**Prof. Wallace**—I would have to go along with that too, yes.

**CHAIR**—Professor Chubb at the ANU has advised the council there that he says this package goes way beyond what was discussed with the minister. Do you think that is a fair conclusion?

**Prof. Wallace**—I think that is also a fair comment, yes.

**CHAIR**—Do you think you have been misled?

**Prof. Wallace**—I do not know whether that is the conclusion or not. I think what one is looking at is an attempt at confluence of two aspects of government with quite different agendas. It would be my own view—I realise this is going on the record—but I rather doubt if Brendan Nelson would be all that happy about a lot of what you are alluding to.

**CHAIR**—It strikes me that there is a sharp demarcation between what the vice-chancellors have been told and what appears in the legislation.

**Prof. Wallace**—Of course we were all awaiting the actual detailing of what was in view. When the detail appeared of course it went way beyond anything that we were anticipating.

**CHAIR**—When I read amendment 30-25—and I trust you have done that now; you have had a look at the detail of the legislation?

**Prof. Wallace**—Much of it, yes.

**CHAIR**—It goes to the fact that the Commonwealth minister can now determine which courses he or she likes and will fund; it will go to the most basic intrusions into the administrative operations. In fact I put it to you that it will not be long before you will have to ask his permission to go to the toilet. What do you say to that?

**Prof. Wallace**—The last bit I would not like at all. I agree with the AVCC's position on this one, that we really as a system should not be subjected to detailed guidance at that level. I think

universities have demonstrated that we are more than capable of administering a block grant appropriately in terms of the areas in which we spend it.

**CHAIR**—What would be left of the package if we amended it in all those areas in which you have indicated today we should amend it?

**Prof. Wallace**—I think it would probably be a rather untidy heap because the thing about it is that it is internally highly interactive. In fact, that is one of the things that has made it very difficult to work out how it would impact on an individual institution because of the complex nature of the internal interactions. So, as I say, if one were to change all of these things, I suspect it would end up in a heap. What I should say in saying that is that—I am going to be utterly crude about this—the universities need the money and we need the money soon.

**CHAIR**—Do you think we need more time to assess development of an alternative?

**Prof. Wallace**—You need more time, but we need more money. It is a question of whether one can resolve that situation within a reasonable time scale.

**CHAIR**—How realistic is it, given that there are 50-odd bills on the *Notice Paper* at the moment, for us to conclude all the things you have asked to be done in the next 19 days?

**Prof. Wallace**—It seems Herculean, without being too gender specific.

**Senator CROSSIN**—Orwellian!

**Senator TIERNEY**—I will start with some comments that Dr Tomlinson made. Earlier we had some evidence from the Victorian state government on unmet demand, which they said was about 10,000. Victoria accounts for about a quarter of the system. That would be up around 40,000 nationally, which sort of figures with our figuring. I wonder where you got 100,000 from.

**Dr Tomlinson**—I believe that the latest figures from the AVCC for 2002 show an excess of 49,000 applicants over places available. But you have to remember that there is a pipeline effect because those students will continue into the second year and into the third year, and a new 49,000 will apply the next year and they will continue into the second year and into the third year.

**Senator TIERNEY**—You have to compare apples with apples. We normally do it in terms of what is an intake at the start of the first year.

**Dr Tomlinson**—You can do it in terms of intakes, but you also need to do it in terms of the total amount of places that we need to provide. We look at both.

**Senator TIERNEY**—You are not talking about the way we normally assess year by year. RMIT is an interesting institution in this regard, because you do have a TAFE component and a university component. You would be probably best placed to comment on this. It comes back to community attitude and teachers' and parents' attitudes. With a lot of young people, do you think a lot of that unmet demand should be channelled to the TAFE sector, then maybe through

articulation it might come through to the university sector? Would that be a broad, better way to go with quite a lot of that group?

**Dr Tomlinson**—It is certainly possible. On the other hand, I think it is very difficult for the government in Canberra to make that decision on behalf of the students. I think it is probably more appropriate for the individual students and the individual academics to decide which course they are suitable for. Indeed, it may well be that a number of those people should be channelled through an associate degree in the first instance, as we have been proposing with our two-plus-two model.

**Senator TIERNEY**—We have always had, historically, relatively high drop-out rates in universities—the number that start, the number that finish and the inefficiency of all of that.

**Prof. Wallace**—I will just add to what Michael has said. At the moment we have a situation where the view that much of the population takes of the TAFE system is inappropriate. It is seen as being very much a recourse of second or third choice. So you have this mass aspiration to get into a university degree, regardless of how well informed that aspiration is. I think Michael is right that, with the introduction of the associate degree to the Australian qualifications framework, we have collectively for the first time got an opportunity to work on that misconception in a way that would lead in the direction I think you are at least hinting at.

**Senator TIERNEY**—Of course countries such as Germany have quite a different attitude.

**Prof. Wallace**—Of course they do, but that is a different culture.

**Senator TIERNEY**—We need perhaps to move towards that to some extent. You mentioned, Professor Wallace, learning accounts and you indicated some ways of perhaps financing that through the tax system. All people in education, in government and in opposition have been wrestling with this quite interesting concept. I think the main problem is they cannot quite figure out how to do it. Would you expand on that point? How do you see it working through the tax system in terms of funding it?

**Prof. Wallace**—In our paper we have suggested how one might move in this direction, because it would be a very fundamental shift in terms of how one looks at the funding of tertiary education.

**Senator TIERNEY**—In a nutshell, how do you see it working?

**Prof. Wallace**—A learning account in an ideal world would be something that every citizen in the country had. This learning account would be a slot into which government, families, the individual themselves, other interested organisations—for example, superannuation funds, trade unions—could actually, if they wished, put money. From each of the points of view there would be encouragement for them to do that. That is the input side. In terms of what the money would be used for, it would be used at the volition of the individual but of course for reasons that we outline in the paper that volition would not be unconstrained. If you had a situation where there were huge changes in a year or two, it would be very difficult for the structure of the tertiary system to respond appropriately to that. But we believe that that can be dealt with and that this



for the first time would give a suitable breadth to, if you like, the challenge of funding individual education.

At the moment there are almost no encouragements to individuals to think in this way at all, and so you get this disparity between what the government's contribution should be on the one hand and how high the fees should be on the other in terms of an individual contribution. At the moment we are just lacking a conceptual subtlety in all of this. We need new apparatus.

**Senator TIERNEY**—In terms of this package that is before the parliament, you said we should step back. But we really have three choices before us: we carry on as we are, if this does not get through—and I assume you do not want to do that; we have this package which is putting another \$10.6 billion over 10 years plus a lot more flexibility in the system; or, if Labor gets in, we accept their policy. Have you had a look at that?

**Prof. Wallace**—Yes, I have read the Labor policy.

**Senator TIERNEY**—Aim Higher, on 23 July. What it does is put it back on the tax base for a lot of the funding and it takes out a lot of the flexibility that is in this package. What is your view based on the AVCC's assessment of that?

**Prof. Wallace**—The assessment of the Labor policy?

**Senator TIERNEY**—Yes. It was written up in the *Australian* yesterday: Labor plan flunks AVCC test.

**Prof. Wallace**—Yes, that is a headline.

**Senator TIERNEY**—It says that there is not enough to make the existing funding structure work better; there is little direct extra investment in Labor's policy to improve the quality of universities' existing teaching load; the package shuts off some existing sources of private investment and makes no proposal to improve private investment; and there is little extra core funding in Labor policy. Do you really think that is the path we should go down?

**Prof. Wallace**—I would probably bracket both sets of current proposals in the sense that they have both—and I can understand why—concentrated on enriching the funding base for the student places that are already out there in the system, and that has to happen. It would be a disaster to try to let numbers grow on the thinness of the petrol that we currently have. So neither set of proposals is really emphasising growth at an early point. As I say, I can understand why. You have to try to resolve this tension between properly funding what is out there now and at the same time trying to do something about the demographic challenge going forward. In spite of their differences, I think both sets of proposals are united in taking that view.

**Senator TIERNEY**—But if you look, say, 10 or 15 years down the track, if you do put all this back on public funding—and we have been down that track and we have seen the result of that over the last 20 years—or if you create greater flexibility in the system, surely in terms of the outcomes 10 or 20 years down the track you will get a larger and a better funded higher education system.

**Prof. Wallace**—Yes, that is right. But we, too, represent a point of view that says that what you need to do is not just have fee-paying places but take a more fundamental look at the situation. Coming back to the question you asked about learning accounts, the thing about a learning account is that it is a method by which the funding challenge can be met by a broader range of inputs. It is not saying that it is just public funding. With a learning account you would be using public funding to attract other funding; that is the whole idea. Until you do something like that, you will be sitting here year after year having inquiry after inquiry because you do not have enough tools in your toolbox to do what we all want to do.

**Senator TIERNEY**—Of course, with the American university system, the alumni are a very big part of the financing—

**Prof. Wallace**—They are, but that is a cultural matter.

**Senator TIERNEY**—But it is something that we do not seem to be doing a lot of. Senator Carr is a graduate of the University of Melbourne and I am a graduate of the University of Sydney. My only contact with the alumni—

**Prof. Wallace**—Do your chequebooks leap regularly from your pockets?

**Senator TIERNEY**—Every year, once a year, they send me a letter saying, ‘Send money.’

**CHAIR**—They do not do that to me, though, I can tell you!

**Prof. Wallace**—But do you do what they tell you?

**Senator TIERNEY**—They have probably struck you off the donor list.

**CHAIR**—I have complained to Professor Gilbert about this!

**Senator TIERNEY**—You are probably on their black list.

**Prof. Wallace**—Interestingly, Canada has managed to make the cultural shift. I know it is just over the border from this big local example, as it were, and we are a long way away from that example, but it has made a very conscious effort as a country to inculcate this culture of alumni gratitude and giving. It does not exist in this country at all.

**Senator TIERNEY**—But it exists in this country in the secondary field. This is what is curious.

**Prof. Wallace**—With private schools, yes.

**Senator TIERNEY**—Yes. People will give large amounts of money in bequests to schools. They will not do that for their universities. It is a strange contrast.

**Prof. Wallace**—As a one-time psychologist I could probably attempt to explain that. It really has to do with the phase in the family life that is reflected in schooling. Relationships are very close; they are immature in terms of the children involved. It is a much smaller scene. A private

school has a much more intimate relationship with the participants. Out of that comes a miniculture which leads to giving, for very well defined purposes.

**CHAIR**—Does that account for why the Commonwealth is spending more money on private schools than on universities?

**Prof. Wallace**—‘I have no idea’ is the short answer to that. Just to reiterate, we really need to address that issue together. Individual universities try very hard, but they have no right, of course, to address anybody more than their own alumni, and we need a broader front approach.

**Senator TIERNEY**—Do you think that they really do try very hard? One letter a year saying ‘send more money’ does not seem to me as though they are trying very hard.

**Prof. Wallace**—I could probably recommend the University of Sydney to a good marketing person, if you would like, who would send a better letter.

**Senator TIERNEY**—I believe that a lot of the American universities try and build a relationship with the people in the alumni.

**Prof. Wallace**—I am about to become anecdotal, which I probably should not do here but I will anyway. The situation in the United States is that they have natural ways of attracting ongoing alumni interests—football. College football in the United States drives the continuing interest of alumni in the institution that they went through. We have discussed this among the universities across Australia, but we have failed to come up with a way of doing it. We need to invent a sports competition—

**Senator CROSSIN**—But we have the AFL here. Why would you want anything else?

**Prof. Wallace**—But it has to be mappable into the universities. My institution has an Aussie rules team, but they are buried in about the fourth division of the Victorian league.

**Senator TIERNEY**—At Newcastle university we have the ‘Newcastle university knights’, or something like that.

**Prof. Wallace**—That is right. Local individual attempts have been made. This is fascinating, but it is off the track.

**Senator STOTT DESPOJA**—I am still recovering from the thought that male sporting events are the answer to our university system, I am afraid.

**Prof. Wallace**—We could give you the Opals!

**Senator STOTT DESPOJA**—Sport, I am willing to acknowledge, but let me get over that one for a moment. In response to your banter with Senators Carr and Tierney, you talked about private schools and the alumni tradition. It is one that I fully acknowledge, and I do not think we have replicated that in our public universities. You have talked about some of the distinctions, but isn’t one of the key distinctions between public and private the fact that the alumni, or whatever, tradition is associated with our private education institutions, maybe because

Australians have grown up these days with a relatively publicly funded sector and that is what they expect; it does not have to rely on individual contributions?

**Prof. Wallace**—I understand what you are saying. I am sure that that is a very significant aspect of the situation that we have—that they anticipate that it will be provided by government, and that includes everything. But we have now had quite a number of years where it has been a hybrid approach. That hybridisation, without our seeing too many results here, may be trending us towards the kind of culture where alumni type giving would not be seen as something that is inappropriate because it is government's responsibility. We have the same thing with industry and business: because they pay their taxes, they believe it absolves them from any further direct involvement in the financing of individuals' education.

**Senator STOTT DESPOJA**—I note your comments in the submission about the Victorian Education Foundation and the idea of hypothecation, taxes being put into the system.

**Prof. Wallace**—That worked very well.

**Senator STOTT DESPOJA**—In the interests of time, I will ask a quick question which relates to fees and charges. Would Swinburne take advantage of the opportunity to increase HECS fees by 30 per cent?

**Prof. Wallace**—That is something that all of the institutions are looking at. The reality is that you would almost be willy-nilly—and in our case it is more nilly than willy, if you like—forced to charge the 30 per cent loading. If you do the arithmetic on course costs and what is being offered as the base on which the 30 per cent has to be placed, you would pretty well have to put on the full 30 per cent to be anywhere near what you need, rather than having money to burn.

**Senator STOTT DESPOJA**—How sustainable do you judge that to be in relation to your student demographics? How difficult will that be, do you anticipate?

**Prof. Wallace**—There is no doubt at all that the higher the HECS fees go the greater the influence on student decisions. I am sure that is the case. I know there is not a huge mass of very objectively acquired evidence about that yet, but I have no doubt at all that that is the case.

**CHAIR**—Thank you very much for your appearance here today; it is much appreciated.

[11.52 a.m.]

**FINLAY, Professor David, President, Australian Council of Deans of Science**

**CHAIR**—Welcome. The subcommittee has before it submission No. 442. Are there any changes you would like to make?

**Prof. Finlay**—No.

**CHAIR**—The subcommittee prefers that all evidence be given in public, although the subcommittee will also consider any request for all or part of your evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. I now invite you to make a brief opening statement.

**Prof. Finlay**—Thank you for the opportunity to speak before the committee. As I pointed out in my submission, I am representing a diverse group of science faculties around Australia, so the views that I want to put forward are, I guess, collective views. I have my own views on a number of things with respect to the package, but I would like to confine myself to the views of the ACDS, if that is possible.

The first point I make is that there tends to be in government literature—and I think probably for shorthand purposes—an omnibus referral to ‘science’. One point I make for the record is that science, as taught in universities and as aggregated by DEST or other government agencies, is a very mixed bag. Science, according to government statistics, is doing very well in terms of growth within Australian universities. However, if it is disaggregated, it is fairly clear that the areas that we are calling the enabling sciences—mathematics, physics and chemistry—are decreasing in terms of both enrolment within science faculties and also in absolute load, which accounts for teaching in faculties of engineering and so on. We are especially concerned that the targets which are being talked about within the government’s package may lead to a further decrease in these areas. There is a lot of work being done by government, by my organisation, by the Academy of Science and other groups to try and turn around enrolments in enabling sciences. I would be really concerned that any moves made within either the government’s package or the opposition’s package undermine that arrangement, and student targets are one area of concern.

The second point I make, which is probably amplifying the point that Professor Wallace made before, is that, in my view, there is a desperate need to get extra funds into universities, especially into science faculties and to some extent into engineering faculties. There are a great number of extra costs associated with the teaching of science, and there has been a very large agenda laid down by the government, one that we generally agree with, in terms of Backing Australia’s Ability, built on the work of the Chief Scientist. If universities are going to attempt to meet those demands, or those calls, there will have to be extra support going into science and engineering faculties.

Currently yet another review is going on into research infrastructure. From my reading of the documentation, that concerns very large items of infrastructure—very large X-ray facilities and so on. As I understand it, at the moment there is a desperate need within universities across the

board in terms of basic infrastructure for teaching science; a lot of it is very aged. In travelling overseas to Singapore and other Asian countries, I note that in many instances the infrastructure there is fast overtaking that within Australia. A related point is that, in order to maintain the steady flow of students wanting to come to Australia to be educated within our universities, there is a fairly large need to look at infrastructure—not only at the very large level but also at the more fundamental level—to make sure that we are competitive. Within the package I think the capital component of funding drops out after 2005, and we see that as an issue.

Related in part to targets but also more broadly, the deans of science are keen to point out that an active research culture, within science faculties at least—by which I mean academics being actively involved in generating knowledge or ‘working on the bench—is essential for the correct teaching of undergraduate and postgraduate students. That should not be undermined in any way in terms of the possible ramifications of the packages that are being put forward at the moment. Senator Tierney might wish to pick this point up also. I believe—and I want to return to this point—that future teachers of science should also be taught in this sort of environment within universities, as they will then have experience of empirical collection of data in well-equipped laboratories and be able to take that knowledge out into schools.

Since the release of the Nelson document, some moderation of some issues put forward at that stage has occurred. To my understanding, part of that moderation has been of the targets that universities are being asked to meet. The deans of science would be very appreciative of a change of targets from one to two per cent up to five per cent and would consider it more realistic. Taking this down to discipline level, however, if that is the government’s intention, will still produce some difficulties. Within my submission I attempt to give an example of this with IT related areas, where in the last year or two the enrolment bubble dropped suddenly overnight. If that occurs, it will lead to perturbations in the system that will be very difficult to manage.

Overall, the deans of science are appreciative that science has been recognised by both the government and the opposition and by other parties at the bench. There is however the issue of how funding for science to universities will come about. The government’s approach is to apply a differential HECS plus 30 per cent. I do not know—and we are trying to collect data to see—whether that is having an effect on student enrolments. The best data we are able to extract at the moment is that there is some indication that low-socioeconomic status males are less likely to enrol in science related disciplines since HECS was raised. How this will be impacted in future years I do not know.

The other area that we would like to obtain some information on—again the Senate might be the place for these discussions—is that in the last few years, since the HECS charges were increased, there has been a very large increase in student enrolments within humanities, which is to be applauded, and the entry scores, whether they called TERs or whatever nomenclature you wish to use, and a concomitant pressure on science faculties. Whether there is a trade-off there, whether it is related to HECS payments, I do not know, but it is certainly an interesting hypothesis. That would be what I would like to say to you.

**Senator STOTT DESPOJA**—Professor Finlay, I would like to start with your last point. My understanding was that former science minister Julian McGauran—sorry, Peter McGauran—

**CHAIR**—Dolly will never be the science minister.

**Senator STOTT DESPOJA**—suggested when the changes were made to put science in that second HECS band, back in 1996 for 1997, that there would be some analysis. That was a request that was made of the minister. Is it your understanding that there has been no analysis provided by government of the impact of that change of HECS band?

**Prof. Finlay**—I believe there has been some analysis, but I do not believe it is deep enough. I think these matters are quite complex and need a different approach. We have got some data which we will push forward on our own behalf, to see whether we can extract those sorts of data. It depends on the way in which you aggregate these figures. As I attempted to point out when I started my submission, science as far as DEST is concerned—and I have no real quibble with this—other than the enabling disciplines that I mentioned, covers the whole of the IT range and so on, and the movements within all of those different areas have been quite profound over the last five years. I suspect that it could be that there is a smoothing-out within those systems, such that any effect of HECS might be hidden, but I cannot in all honesty say that it is the case. I think it is something that needs to be examined. We will try to do it with our resources, which are quite limited, because it is obviously important for us to make that point to government. But it would be nice if government undertook that sort of analysis too.

**Senator STOTT DESPOJA**—When you say ‘government’, I am presuming you mean DEST.

**Prof. Finlay**—Yes. Could I make one other point? It is a submission that we have made repeatedly and that I think FASTS has echoed as well, that we are very keen—as I think the Nelson package and also the opposition package are, and I presume the Democrats are—to get more well-trained science teachers out there. The submission that we have made in the past is that currently a student coming out with a good science qualification together with an education qualification ends up paying more in HECS than does a student that has a humanities background and teacher qualification. They start off in the school with the same salary, they have a longer period to pay back their HECS, they have got a much higher HECS debt. We believe that that will become even more so under the current system, and I think that is another area, though it is perhaps a small area, that should be addressed.

**Senator STOTT DESPOJA**—You have pre-empted my question, which might have seemed a bit of a dorothea dixer, actually, in light of your response. You say that that might be the case, though clearly there is evidence to show that science teachers incur a higher debt as a consequence of science being in that higher band. In relation to research or evidence that shows it may have a disincentive effect for students who may want to become science teachers, have you got anecdotal or other evidence to support that statement or otherwise?

**Prof. Finlay**—Could I avoid that question slightly by saying that there is a review report due to be released next week, I think on the 9th, on teaching and teacher education. The focus of that review, which was chaired by Professor Kwong Lee Dow, is supposedly largely focused towards the attraction of science teachers into the system, and I think he does pick that up within the review report. It is going to be released next week, I understand, and the evidence that exists for those sorts of claims is within that report.

**Senator STOTT DESPOJA**—I might hold off on my questions about a perceived teacher shortage in the discipline till that report is released.

**Prof. Finlay**—I think it would be also be fair to say, even despite this review coming out, that there is a dearth of information about the number of science teachers in Australia, their qualification, their age cohort structure and so on. So I think it is an area that needs ongoing work, and possibly Professor Lee Dow's report might even highlight that as an issue as well.

**Senator STOTT DESPOJA**—In your submission, you have referred to some of the problems with targets et cetera. You also refer in particular, in relation to IT and computer sciences, to a reduction in enrolments by 18 per cent. You mentioned that, due to effects outside the control of universities, enrolments in these areas dropped by up to 18 per cent, in a way that was variable across the sector. When you talk about those external factors, are you talking about fees and charges, or are you talking about broader issues?

**Prof. Finlay**—No. I am talking about, effectively, the bursting of what was known as the IT bubble. I think it is very clear to everybody on your table that students are very keen market watchers these days. They look to a market where it is immediately obvious to them that they will get a good education and a job at the end of it. IT has been that forum, but as soon as the IT bubble burst that threw some uncertainty into the minds of students and they moved in other directions.

One could talk about these things for a long time, but the Victorian government also put out a report earlier this year, in trying to attract students into IT. They talk about the image of IT within school student populations as involving unattractive sorts of characters, and why would anybody want to go into that career? The Victorian government is trying to turn that around. I believe the New South Wales government is trying to turn that around as well, because they are keyed to the economy in whatever form people do IT. It is a broad area in itself.

This is a bit off the point you are asking me, but getting diversity of employment opportunities to students in schools, educating them as to jobs in IT, mathematics, physics, engineering and all those sorts of things is a major task. It is one which is probably not being tackled successfully anywhere in Australia at the moment.

**Senator STOTT DESPOJA**—Indeed. I have one final question on the HECS band issue. Are you in a position to recommend, on behalf of the council, that science be relocated to the lower HECS band?

**Prof. Finlay**—Can I again give the caution that I would put into that sort of issue? To me, there seem to be two issues here. One is the funding for science faculties within universities. I would include engineering in that—anything that is very technically equipment-driven and resource intensive. There need to be resources put into universities for those to be improved and brought up to an appropriate standard, or kept at an appropriate standard. The related issue which I think has entertained some of the questions you put to Professor Wallace—and I think what is behind yours as well—is the issue of equity for students.

So there is an issue of getting funds into university in these areas, and there is an issue of charging students for them. I think they are quite separate. The government's argument—whether it be the ALP or the Liberal Party—is that students should be paying for an anticipation of greater salaries in the future. As to whether that is going to turn people off in the short term, I



would like to see some proper work done on that. I hope the system does not fall over in the meantime.

**Senator STOTT DESPOJA**—Certainly there is an element of anticipated or projected income but, of course, we have distorted that model in Australia by including, or factoring-in, an element of course cost. You have rightly put on record the intense and expensive nature of some of these degrees. Perhaps you could take this on notice, if you do not know off the top of your head: are you aware of the percentage of contributions by Australian students to science degrees—whether enabling sciences or whatever? Could you take that on notice and tell us, perhaps using the DEST description—albeit a very broad one, encapsulating maths, sciences, physical, chem, earth et cetera—if you are aware of the percentages students now contribute through their HECS to the course cost?

**Prof. Finlay**—I will take that on notice. I am not sure it is a question that can be answered, given the way in which universities fund internally. I will certainly put some thought to it, to see if I can get a collective view. There was one part of the question I did not answer. I did not pick up whether science faculties would wish to charge, over and above, up to the 30 per cent. I do not think there is a collective view, but I think there is certainly a view that that sort of money needs to come into the system.

**Senator TIERNEY**—Going broadly to community attitudes to science, first of all, back in the 1960s science seemed to capture people's imaginations—particularly the moon-landing program. That spilt over into election policies, such as the science block program in the 1963 election. There were even popular television shows like Professor Julius Sumner Miller's *Why is it so?* It seems to have lost that edge with the public, though, hasn't it?

When Labor was in power for 13 years and Barry Jones was the minister, he wrote a book on it called *Sleepers, Wake!* However, he could not convince the Labor cabinet at that time—and science funding declined. As far as these attitudes are concerned, do you see any way in which they could change back? Often these issues then relate to funding, if the public gets stirred up about them.

**Prof. Finlay**—Can I give you a roundabout answer to that? Stop me if I am being too discursive here. I have just come back from a small study tour, on which I looked at what people are doing in Ireland, Scotland and England in respect of science funding. Each of those countries is trying to put a great deal of resources in—similar to what is happening here—to try to use a science base to provide a plank for the economy. My view is that it is essential that that happen.

Going further with your question, it is certainly the case that people's interest in science has fallen away within this community. At the moment, there is a lot of work happening in many organisations in trying to turn that around. The issue is a deep one. I think that, in part, it goes right back into the primary and secondary school systems, in trying to engender interest—and to continue interest—at that sort of level.

I said the infrastructure was ageing within universities. That is even more so in Australian schools, especially in high schools. A number of them are now not able to put on good science courses—not only for infrastructure reasons but also because of controls of occupational health and safety and other associated areas. There are very deep problems, I believe. As you can see—

or I hope I have conveyed it to you—I am fairly passionate about this area, because I think it is important for the country. I believe it is recognised to be important by just about every other developed and developing country in the world. I am a bit fearful that Australia is going to fall behind in this game.

**Senator TIERNEY**—You mentioned that one of the basic problems is back deep in the school system. In your opening remarks, you mentioned that one of the ways in which perhaps a greater interest in and commitment to science can be engendered in school pupils is linking—I assume in the senior years, with gifted science/maths students—into the university system. I assume you mean getting advanced standing or perhaps doing units that can count towards their final high school qualifications. It is my understanding that some states are resisting that rather excellent idea. What is your view on that?

**Prof. Finlay**—I think that is a good way to go forward. When I was at Newcastle two years ago, we introduced students who were doing well in mathematics at high school to come and do first year mathematics alongside their HSC. It happened that one of the HSC students topped the first year mathematics class. In a sense, this needs to be pursued a little more. I think this flexible boundary between years 11 and 12 and university is something that could be pushed a bit further. There is a variety of those sorts of schemes happening around Australia as well now, as you are probably more aware than I am.

**Senator TIERNEY**—Finally, I congratulate your groups on the Science Meets Parliament initiative. I think that, as far as raising the profile of science is concerned, that has been an excellent initiative.

**Prof. Finlay**—At the last report I heard, there were 147 politicians involved in that and probably fewer scientists at this point in time. Nevertheless, but we will try to match you if we can!

**CHAIR**—You indicated in your opening submission that you thought there was a decrease in the enabling sciences. What is your evidence for that?

**Prof. Finlay**—Five years ago, we put out a report on enrolments in science—I could send you a copy of that—which disaggregated federal department of employment data at the time. That showed quite clearly a decrease in the enabling sciences. We are about to complete a report, which should be out in at least another two months, which pursues that up to the end of 2002. Both of those sorts of outcomes are still being found within universities.

**CHAIR**—The committee would appreciate any preliminary advice on the update report.

**Prof. Finlay**—I can certainly forward the older report to you.

**CHAIR**—Any preliminary data would be helpful. I am obviously quite concerned about this. This is a matter we dealt with in the *Universities in crisis* report. The situation has not improved since then?

**Prof. Finlay**—Not in the enabling sciences, no.

**CHAIR**—Thank you very much for your submission here today.

**Proceedings suspended from 12.16 p.m. to 1.22 p.m.**

**DUNKIN, Dr Ruth Mary, Vice-Chancellor and President, RMIT University**

**CHAIR**—Welcome. The subcommittee has before it submission No. 457. Are there any changes that you would like to make?

**Dr Dunkin**—There are no changes that I would like to make, but I would like to note that there have been some changes to the arrangements since we put the submission in. For example, there have been changes to the overenrolment threshold and also to the way that work experience is treated. Clearly, they were some of the changes that we were looking for.

**CHAIR**—Thank you. The subcommittee prefers all evidence to be given in public, although the subcommittee will also consider any request for all or part of your evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. I now invite you to make a brief opening statement.

**Dr Dunkin**—Thank you, Chair. In looking at the legislation and the package that is embedded within it, one can come at it from a number of perspectives. The first is one of national policy, and the position that RMIT have put repeatedly through our submissions, and that is the extent to which the package will underpin the transformation of Australia into a knowledge economy. We are interested in the level of funding that is proposed in terms of investment levels of GDP. We note and support the AVCC's proposition about increasing to two per cent of GDP and 60 per cent of all Australians. We are also concerned, and have been through all of our submissions, about the impact on access. We join with many others in being concerned about what the additional increases in fees will mean not only to student access but also to the student experience of university. From an institutional perspective, we have been through the package. The package puts a lot of focus on the need for institutions to remain financially viable, so I come at it from that perspective.

Our first comment would be that it is pretty difficult to comment on this in full yet without the guidelines or the draft institutional agreements which will embed it being available. We note that it is a move to a purchaser-provider model, which is quite a different shift in thinking about the funding of higher education service provision as opposed to funding institutions and seeing them as part of the key infrastructure of the state. We note that, associated with that purchaser-provider relationship, there are quite detailed guidelines and that there appear to be quite strong administrative and compliance costs associated with those. We would suggest that one of the things that the committee might think about is capping the administrative or compliance costs associated with moving to such a relationship.

The second issue, from an institutional perspective, relates to the other aspects that affect an institution's viability, and I am particularly interested in access to infrastructure funding. In a purchaser-provider model, we are talking about the purchase of places. There is clearly a capital component incorporated within that, but in order for institutions to plan forward they need to have a full range of financing avenues available to underpin investments in future infrastructure. I do not see before us—because it is a piece of legislation before the Commonwealth parliament—the total package that will, in fact, affect financial viability for institutions. I would urge the committee to encourage joint agreements through MCEETYA around capital and

recurrent funding for institutions. I would question the feasibility of some of the assumptions that we heard about earlier in the debate which were made around an institution's capacity to borrow on the basis of their commercial realities and their asset values.

The third issue is the seeming contradiction between the emphasis on the market and the greater accountability for the enterprise by the board and their room to manoeuvre. There are issues that have been raised by others before me but, clearly, prescription around how we will relate to our staff is one of them. Another is the cap that appears to be in the bill on the percentage of fee-paying students that institutions will take, which appears to apply to international students as well as to, as was the case previously, Australian domestic students.

**CHAIR**—Clause 36-35 in the bill sets the cap of 50 per cent. In your last point you said it applies to international students. Is that the particular clause that you are looking at or is there another one?

**Dr Dunkin**—It is that clause. Obviously, we are feeling our way with this legislation like everybody else but it is one of the concerns that we have to clarify that particular issue. The questions that we have asked of DEST suggest that it may inadvertently have—

**CHAIR**—Do you think it is an inadvertent error?

**Dr Dunkin**—I would think so, yes.

**CHAIR**—How many other inadvertent errors do you think require attention in this legislation? Clearly, we have the front pages of many of the newspapers around the country and some other pages in some other papers indicating that there seems to be a bit of a shift in thinking within the Senate. It would appear that there is a distinct possibility that, if this legislation is to survive at all, it will need substantive amendment. If you had your options, what amendments would you seek in this legislation? What would the matters be that you think require our attention?

**Dr Dunkin**—I have drawn your attention to the key matters we are concerned about but, obviously, we are going through the legislation in more detail and there may well be some more that we would be happy to provide to the committee in writing.

**CHAIR**—Thank you. We look forward to a supplementary submission on that matter. Professor Brown at Sydney University has indicated to the committee—he is a big winner out of this, and in the early days was quite a strong advocate, as I recall—that there is an ill-conceived commitment to voluntary student unionism. He says:

(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 ...

He raises the question of indexation and then he says:

The proposals in this package are not sustainable in the medium to long term ...

How much of that would you agree with?

**Dr Dunkin**—The points that Professor Brown has made are ones that have been made within the AVCC on behalf of institutions across the sector and so they are ones that we support. In terms of the sustainability, I guess it is the perspective that I raised at the beginning. Is it sustainability of the purchase of higher education services or is it the sustainability of individual institutions or a class of institutions? As I suggested in my opening comments, the sustainability of institutions has got to take into account all of the aspects of the financing of those institutions, and having caps on the room to manoeuvre around alternative revenue sources such as the 50 per cent might represent, together with some significant uncertainty around how future infrastructure will be funded by institutions, represent key areas that would undermine sustainability.

**CHAIR**—Professor Gilbert from Melbourne university, another big winner in this package, has suggested to us today that there is a substantial gap between what was promised and what is actually being delivered in terms of the legislation and what he has seen of the guidelines. He has reinforced that view by saying that if these regulations are imposed it may not be worth the money. Do you share that view?

**Dr Dunkin**—I think that we have always seen at RMIT that there was a move towards purchaser-provider and, as a dual sector institution, we are clearly familiar with that relationship with our state government funding authority in relation to TAFE. We have always seen that there was significant capacity to put within those funding agreements the level of detail that we are looking at at the moment. We think that is not necessarily appropriate in terms of the level of cost that it is going to impose on institutions, particularly at a time when we are all trying to get administrative overheads down in order to remain globally competitive in a price sense.

**CHAIR**—Professor Chubb tells us that he thinks that many of these matters go beyond what we thought had been discussed with the minister. You are on the AVCC board, aren't you?

**Dr Dunkin**—No, I am not.

**CHAIR**—You are familiar with the discussions in the AVCC. Do you think the package we have before us is consistent with what vice-chancellors were told they were going to get?

**Dr Dunkin**—I have not been an active participant in the AVCC in the last 12 months but my understanding is that that purchaser-provider was always underlying this package.

**CHAIR**—So they should not be surprised that they have got this imposition now?

**Dr Dunkin**—I think there is a level of prescription that exceeds all of our understandings.

**CHAIR**—Maybe the vice-chancellors have been a bit naive.

**Dr Dunkin**—I could not possibly comment, Chair.

**CHAIR**—In terms of your understanding of where the system will be in 10 years if this package is accepted, could you give the committee an indication of what you think Australian universities would look like? I am talking about the system.

**Dr Dunkin**—I keep coming back to those two issues that I raised—access to other revenue sources, which is clearly what is anticipated, and access to infrastructure. We know that Australian university infrastructure is ageing and that there is a need for us to invest in that. Whether it is on the research side or whether it is on the teaching side, when we compare the level of investment and the kind of investment that is going into the universities of our competitive nations in the region we are going to fall behind unless we can solve this issue about access to capital. I am not talking, I would stress, about access to grant capital.

**Senator TIERNEY**—I will come back to that access to capital issue in a minute. We have three paths before us, I suppose. We can stay as we are with the current system—and if this legislation fails that is exactly what will happen in the short term—we can pass this legislation or we can adopt, whenever they get into government, the Aim Higher policy of the Labor Party. Just in terms of that, there seems to be a distinct difference in the approaches. Whereas we are putting in \$1.6 billion additional money over four years and \$10.6 billion over ten years plus freeing up the system a lot more to achieve off-budget funding, the Labor policy Aim Higher seems to be going more towards public funding, cutting off access to a range of measures that are in this package. Going back to the chair's question with respect to 30 years time, would the university sector be better off with this package, which gives more public money and then greater freedom in terms of off-budget money, or going back to, presumably, where we used to be under the last Labor government with greater emphasis on the federal budget and all that that entails in difficulties in getting increased funding?

**Dr Dunkin**—I suspect that we have more than three options before us.

**Senator TIERNEY**—We have a Labor policy, we have this package and we have the current situation, so they are three real options that the moment.

**Dr Dunkin**—Yes. We also, presumably, have an option around amendments to this legislation.

**Senator TIERNEY**—Possibly.

**CHAIR**—That is another big consideration.

**Senator TIERNEY**—When it comes into the Senate there will be a whole lot of amendments from different places. But as we have discovered with other legislation, if something is amended to a point that it is just not worth pursuing, as happened with bills recently in telecommunications, that may block the package.

**Dr Dunkin**—I think the future of the system is going to depend significantly on infrastructure. I think that when you talk about access to off-budget revenue, there are limits to access to off-budget revenue in the package as it currently stands. So I am seeing constraints on some of those areas that you are talking about that I think need to be addressed in order to enhance the package, if we are talking about sustainability of the universities as institutions as

opposed to government funding higher education services or purchasing higher education services.

**Senator TIERNEY**—The Labor alternative has as its key thing full indexation. Given the 13-year history of the last Labor government—and you would have been a senior academic at that time as well—what sort of confidence would you have in that sort of a promise?

**Dr Dunkin**—Certainly the treatment of indexation within the two packages is one of the key differences, and I think it has been clear that the AVCC and RMIT have supported that position of a return to full indexation as critical in trying to stop the degradation.

**Senator TIERNEY**—What confidence have you, given the 13-year history of the Labor government, that that would ever happen?

**Dr Dunkin**—We can always hope.

**Senator TIERNEY**—I think you need a lot of faith in this particular situation. Moving on to the IR reforms, an editorial last week in the *Australian*, and there is an editorial today in the *Sydney Morning Herald*, more or less indicates that perhaps the government do not go far enough on this—we talk about AWAs and we should go further than we are. That has been put forward, though, as a fairly minimalist position. We are saying that if staff want to access AWAs they should have the ability to access them. What is the problem with that really?

**Dr Dunkin**—I think that the issue is one of principle in terms of moving into a contractual purchaser-provider relationship, putting more responsibility and accountability on the governing body and at the same time prescribing in quite a level of detail the way in which that enterprise will work. I think there is the issue of principle—that we are looking at the high level.

**Senator TIERNEY**—So there is one point at which universities should be different from other industries. The *Sydney Morning Herald* this morning points out that Australian workplace agreements have been part of the industrial relations scene since the Keating government in 1994. In terms of the way this is being proposed it says there is no difference between what the government wants to impose and what is already acceptable practice. So why should the universities be treated differently, seeing it is only a modest and minimal proposed change?

**Dr Dunkin**—I think one of the things that we are all concerned about is the issues facing universities at the moment, which are significant. We are in a state of transformation and there are a lot of tensions. We all know that morale is very low on campuses across the country and we do not need added points of tension or conflict.

**Senator TIERNEY**—The Labor Party has put out its package, but it also had, according to the departments of education and finance, a \$218.9 million hole in it related to the changed arrangements for HECS. That would actually make your university worse off under those changed arrangements, by \$4.7 million, but you would have less access to off-budget money under the package, so how would you make those sorts of gaps up?

**Dr Dunkin**—We have not had the opportunity of working through those DEST calculations in relation to that package, and of course there have been figures released today that show that



RMIT will, in fact, be better off under the package. Leaving that aside, while there are obviously constraints in what you are referring to as ‘off-budget’ funding in terms of domestic fee-paying students, the constraints in relation to other fee-paying students and other commercial activities are not there, as I understand it.

**Senator TIERNEY**—Your university is a multicampus university. How many major campuses do you have, if we define that as a campus of, say, 3,000-plus students in a specific location.

**Dr Dunkin**—We have one at Bundoora and we have a smaller one at Brunswick.

**Senator TIERNEY**—Sorry, I am not familiar with the individual components of RMIT. How many students does your main campus have?

**Dr Dunkin**—RMIT has three major campuses in Melbourne: the one that we are on; one at Bundoora, which has about 6,000 students; and one at Brunswick, which has about 1,800 students.

**Senator TIERNEY**—Okay, thank you very much.

**Senator STOTT DESPOJA**—Professor Dunkin, have you undertaken any reviews of the government package—not the Labor package; we have heard enough about the Labor package—modelling how your institution would fare based either on the original package or on the modifications announced two weeks ago by Minister Nelson?

**Dr Dunkin**—We have certainly done some preliminary modelling internally and we have also had some external review of that.

**Senator STOTT DESPOJA**—Can you tell us under that modelling where RMIT stands in the package?

**Dr Dunkin**—Clearly, the DEST modelling suggests that we might have an extra \$10 million available in 2005. The internal RMIT modelling suggests between \$5 million and \$7 million, assuming that we meet various conditions.

**Senator STOTT DESPOJA**—Among those conditions, presumably, would be access to the additional funding under the Commonwealth Grants Scheme by virtue of agreeing to the workplace relations changes?

**Dr Dunkin**—Yes, and to the national government’s protocols.

**Senator STOTT DESPOJA**—So, if we remove that money, presumably it is less than \$5 million to \$7 million?

**Dr Dunkin**—Yes.

**Senator STOTT DESPOJA**—Why are the DEST estimates out from your calculations? Why are they more generous?

**Dr Dunkin**—The difference is the different assumptions sitting underneath in the way that the overenrolment is removed from the student load. It is also in different dollars of the day: one is in 2005 dollars and the other is in 2003 dollars.

**Senator STOTT DESPOJA**—Fair enough. Are DEST undertaking to provide you with an updated assessment based on changes that have been announced? Are they aware that there is a discrepancy by virtue of the different dollar estimates?

**Dr Dunkin**—We understand the differences between the two figures, yes.

**Senator STOTT DESPOJA**—Have you had any demand for AWAs? Are you aware of any staff requests for an AWA?

**Dr Dunkin**—No, we have not. We do have individual arrangements with about 80 people on staff, but they do not comprise an AWA.

**Senator STOTT DESPOJA**—Because the university workplace environment already provides for that kind of individual arrangement?

**Dr Dunkin**—Yes.

**Senator STOTT DESPOJA**—Senator Tierney put to you the question of why universities should be different from any other workplaces. I put you: wouldn't universities be exactly that—that is, different from other workplaces—if they were in a situation where governments dictated through the administration and through the unions what staff had to do, had to read or had to consider? I do not know of any other workplace in Australia that has that—and Senator Tierney may correct me if I am wrong—level of government interference or insistence in its workplace practices.

**Dr Dunkin**—I guess that was what I was suggesting about the sort of prescription of the way we achieve the outcomes.

**Senator STOTT DESPOJA**—In relation to the governance changes, has RMIT—either the council, the Senate or the administrative arm—had an opportunity to debate some of those proposed changes? Has there been a vote or has any kind of resolution come from the council in relation to the governance changes?

**Dr Dunkin**—In terms of the council's consideration of the total package, they have been kept briefed as various papers have been produced during the year. It has been determined that we were to have a full debate about the impact of those on RMIT when the finalisation of the academic board position is known in March. We have conducted a series of forums on campus, made all of the documentation in distilled form available—not the legislation but the prior discussion papers and policy papers that have come out—and given an opportunity for all groups on campus, students and staff, to inform the view that would be taken through by both management and the academic board to the council. That is what is being done. They have had formal briefings in relation to that and the financial modelling impacts in both July and September.

**Senator STOTT DESPOJA**—You say March. Is that the next available opportunity?

**Dr Dunkin**—No. That is when they have determined they would like to talk about it. Clearly, the governance protocols are subject to state government discussion as well.

**Senator STOTT DESPOJA**—Yes. I asked the state government representative about some of those issues this morning. But, specifically in relation to the government and RMIT, have you had meetings with the state government about the proposed governance changes or the protocols?

**Dr Dunkin**—As a group of Victorian institutions, we have had some preliminary discussions with the government.

**Senator STOTT DESPOJA**—In your submission, and on public record, you have emphasised your concerns about the impact on equity and access. How would you reconcile that degree of concern with the passage of this legislation—if it indeed passes the Senate—which would inevitably seek HECS hikes and increased up-front full fee paying places? I get the sense that you think this package—albeit with amendment—is better than nothing. However, is it not the case that equity would be seriously compromised among your student population because of the fees and charges?

**Dr Dunkin**—We are very concerned about the impact on students and on student life on campus as a result of an increasing percentage of students working significant hours. They really are juggling work and study in ways that they were not 10 years ago. While a recent study released by the University of Canberra suggests that some work is good, it said that 11 hours a week was the optimum amount. One-third of our full-time students are working significantly more hours than that.

**Senator STOTT DESPOJA**—Isn't there an argument for rejecting this legislation on the basis of the equity and access implications alone—that is, the cost shift to students—that we will see as a consequence if this legislation becomes law?

**Dr Dunkin**—Clearly, that is up to the Senate as they consider the legislation. We keep bringing forward the facts about the financial burdens that are being borne by students now, let alone after the bill is passed.

**Senator STOTT DESPOJA**—Finally, that leads me to the question of a time line. The chair has raised with witnesses a number of times the fact that we have 19 sitting days left. You have described the need for radical amendment. Do you really think that is something that can be achieved in the next 19 sitting days? Do you think the time line has been appropriate? Should we not have had a white or green paper process like we do when we deal with arguably controversial and fundamental changes to policy in a sector like this?

**Dr Dunkin**—I think that the process of review has been pretty full. We have got to a point in the process now where a lot of detail has come out en masse. It has taken quite a lot of effort for everybody, senators included, to go through the detail and to understand the implications and the impact. As you say, we are talking about a pretty significant and radical change, and we need to do it carefully. I guess it depends on the amount of work that goes into the 19 days. But it would

seem that it is not going to be a full exploration of all of the issues. It is a very detailed bill, as you know.

**Senator STOTT DESPOJA**—Yes.

**Dr Dunkin**—It has a lot of clauses. The consequences of all of the clauses have to be understood.

**Senator STOTT DESPOJA**—As I am sure the chair implied, you are one of the few people to draw our attention—although we were aware of it—and to draw other people's attention to the potential for that 50 per cent cap to apply to not only domestic but international students. It is going to be an interesting 19 days.

**CHAIR**—Particularly given that we have a lot of other legislation to deal with. It is not as if the Senate is entirely devoted to higher education, much to the chagrin, I am sure, of many in this room.

**Senator CROSSIN**—How many Indigenous students do you have?

**Dr Dunkin**—I am sorry, I will have to go into the detailed papers on that. Can I take it on notice? Victoria does not have a lot. We have more in our TAFE sector than we do in higher education. Most of our programs in support of Indigenous students are conducted through our TAFE sector.

**Senator CROSSIN**—How adequate do you feel the equity scholarships measures are in this package?

**Dr Dunkin**—We would certainly like to see them extended.

**Senator CROSSIN**—In number or in the way they are treated?

**Dr Dunkin**—Both in the number and in the way that they are treated in terms of the relationship with the family support process.

**Senator CROSSIN**—I have some questions about the new Higher Education Information Management System, or HEIMS. I am not sure how the new acronym will be pronounced. We have not heard a lot of evidence about it, and we need to ask you some questions. You have obviously started to look at implementing this sort of system. What impact is that going to have on your institution in terms of built-in cost? Do you think this will be a viable way to move in terms of student administration?

**Dr Dunkin**—I am sure it will not surprise the panel to know that we are not looking forward with any great sense of anticipation to that process.

**CHAIR**—Are you having trouble with student records here?

**Dr Dunkin**—Just one or two. But we can learn from that experience. One of the issues in the RMIT experience was the extent of modification to the base software system. One of the most

problematic areas was tuition calculation. By our reading of the bill and our understanding of the guidelines, there is huge complexity in the way that the tuition and financial arrangements are going to have to be implemented.

**Senator CROSSIN**—What additional cost are you looking at to put this in place?

**Dr Dunkin**—We have not been able to make an assessment of that yet, but we think it will be significant.

**Senator CROSSIN**—Will the additional cost to put this in place be covered by the Commonwealth?

**Dr Dunkin**—I do not think that the sorts of changes that we are talking about or contemplating will be covered by the \$200,000 allocation.

**CHAIR**—That is not the price of a decent consultancy, is it?

**Dr Dunkin**—Or an indecent one.

**Senator CROSSIN**—Other universities that I have spoken to have said to me that they cannot guarantee that a student will not get the same number around the country. So if I enrol at RMIT on the same day that someone enrolls at UNE, there is currently no guarantee in the system that the same numbers will not be spat out. Therefore, complexity is an issue when you are looking at putting a system in nation wide. Have you started to look at that sort of detail at RMIT yet?

**Dr Dunkin**—No.

**Senator CROSSIN**—Are you aware that these are some of the concerns that are being raised?

**Dr Dunkin**—We understand and share those concerns. Have we done detailed work to understand what will need to be done and to cost it? No, not yet.

**Senator CROSSIN**—And it has to be in place at the start of 2005; is that correct?

**Dr Dunkin**—Yes.

**Senator CROSSIN**—Thank you.

**CHAIR**—Can I ask about these over-enrolled places. How many do you have here?

**Dr Dunkin**—It is about four per cent overall and it is about three per cent, I think, for undergraduate places.

**CHAIR**—There are no growth places in this package. Is that the case—for the demographic growth?

**Dr Dunkin**—Yes.

**CHAIR**—So, as far as the state is concerned, there is no demographic growth—certainly through to 2007—and no guarantee that those places will in fact be replaced by fully funded places. Is that your understanding?

**Dr Dunkin**—That is right. That is my understanding.

**CHAIR**—Have you had any discussion with Commonwealth officers about the prospect of getting additional places here?

**Dr Dunkin**—Not in detail. We have obviously been talking to them about what they have in mind for distribution of those growth places, and clearly they are taking input at the moment about what will be part of the formula—whether it will be purely demographic or whether it will also include participation rates.

**CHAIR**—My understanding is that, overall, fewer places are going to be in the system by 2007. Is that your understanding?

**Dr Dunkin**—That is my understanding, yes.

**CHAIR**—You were anticipating 152 places this year; is that right?

**Dr Dunkin**—Yes.

**CHAIR**—It is 75 and 65—so you are phasing them out?

**Dr Dunkin**—Yes. We have been on a program for two years to phase them out.

**CHAIR**—But you have no guarantee that they will actually be replaced?

**Dr Dunkin**—No.

**CHAIR**—Thank you very much for your appearance here today.

**Dr Dunkin**—Thank you.

[1.58 p.m.]

**FALK, Professor Jim, Deputy Vice-Chancellor, Victoria University**

**HAMERSTON, Professor Michael Thomas, Deputy Vice-Chancellor, Victoria University**

**HARMAN, Professor Elizabeth, Vice-Chancellor and President, Victoria University**

**CHAIR**—I welcome Professor Harman, Professor Falk and Professor Hamerston from Victoria University.

**Prof. Harman**—I am Vice-Chancellor and President of Victoria University and have been for the last 1½ days.

**Senator STOTT DESPOJA**—Nice start!

**Senator CROSSIN**—Welcome to the subcommittee and welcome to the job!

**CHAIR**—I hope you enjoy your experience here with us today then. The subcommittee has before it submission No. 280. Are there any changes that you would like to make?

**Prof. Harman**—We have no changes to that submission, but the paper that I have just placed with you is an additional submission that I would like to enter the record.

**CHAIR**—We will take that as a supplementary submission. Thank you very much. The subcommittee prefers all evidence to be given in public, although the subcommittee will also consider any request for all or part of your evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. I now invite you to make a brief opening statement.

**Prof. Harman**—Thank you. I am grateful to the Senate committee for the opportunity to present to you on behalf of Victoria University and to provide this additional submission. I am conscious of the fact that you would prefer a five-minute presentation and, in fact, if I went through that statement in detail, it would take us something like 15 minutes. So I will extract from it in order to keep us tight.

**CHAIR**—We would appreciate that. Thank you very much.

**Prof. Harman**—There are various bold points, numbered one to six, that will help you to follow when I am shifting from point to point. Ideally, Victoria University and the communities that it serves should be major beneficiaries of the reform package. The minister promised that every university would benefit and that a key aim was to give more capable people in Australia the chance to go to university. Unfortunately, this is not a promise that we yet see as having been fulfilled in terms of this university.

We are a dual-sector organisation with some 50,000 students, coming from a mix of degree and TAFE courses. They come to some 14 sites, organised under 11 campuses in the western suburbs and outer areas of Melbourne, together with the many industries, schools and other organisations that provide us with workplace learning. You will find in the package that I have provided that there is a map at the back for those who may like a little more understanding of where we are located.

Our campuses straddle a region that is home to one of the fastest-growing and most diverse communities in metropolitan Australia. As a part of our dual-sector mission, our students are among the first to take real advantage of the growing opportunities for articulation between vocational education and training and higher education. But, despite those opportunities, a good number of our Australian students take some encouragement to enrol in higher education, simply because their families do not have this as part of their own traditions. Just under 50 per cent of our students are the first in their family to attend university. In addition, a high proportion of our students come from metropolitan areas with low average incomes.

I am going to draw your attention, more particularly later in this short presentation, to preliminary DEST data which is attached as appendix 2. This confirms that Victoria University is the lead Australian university in catering for students from urban low socioeconomic backgrounds. We have something like 26 per cent of our cohort coming from low socioeconomic areas. Others in the same category—that is, universities drawing from low socioeconomic metropolitan areas—include the University of Western Sydney, the University of Newcastle, the University of Wollongong, Murdoch University and the University of South Australia, many of which have been hard-hit by this package.

An extra complexity faced by our university is that we have a very high level of cultural diversity, demonstrated by the proportion of students who speak a language other than English, of which we have twice the national average. The more we can do to help them, the better. It is not surprising perhaps, with that demographic, that people from western Melbourne participate in higher education at a lower rate—something like 84 per cent, and closer to 85 per cent—than the Melbourne average. The cost of higher education is a major factor in their decision. We know they do not relish taking out loans for this purpose, or paying fees. But I would suggest that these students are exactly the Australians whom Minister Nelson must have had in mind when he promised to broaden access.

I am going to use the next five minutes to make six key points. Firstly, we are the single most obvious exception to the minister's promise that every university would benefit from the reforms. On DEST's own data—and I have provided you with our latest updated figures from DEST—we appear to be the only university in Australia that will continue to have a shortfall on Commonwealth grants, both before and after 2007. You will be aware that several universities face a shortfall for the transition period 2005 to 2007. The government's commitment to bridge that shortfall is money we will gratefully receive, if the legislation is passed, but it will not help to reposition us for the new world, while most of our colleagues will forge ahead. After 2007, when the transition funding finishes, most—in fact, I believe, all other universities—can expect funding at or above their original expectations, again based on the DEST figures. But not us—from 2008 our funding continues to track below the line, to put it colloquially, to the extent of \$1.7 million up to \$3 million per annum, depending on whether we meet the conditions for industrial and governance issues.



My second major point, looking at those bold dot points that you have in front of you, is the suggestion that VU is overfunded. I believe that is not a reasonable suggestion as a rationale for us to be in this situation. It is not helpful to shrug off the situation with a statement about overfunding. The argument is a convenient one administratively and in policy terms, but I believe it is unsound. I say this as one of the authors of the three 1990 consultancy reports on which the relative funding model was originally based.

The funding clusters in the legislation have been given dollar values that are better thought of as prices set by government. They do not represent the actual costs of teaching a discipline in any one university. Nor are they the average of discipline costs for the sector, except perhaps in a very crude sense—that is, science does cost more than arts. The exact price in the clusters in each case looks very precise, but it is fairly subjective. And so, too, therefore is the case for overfunding for any particular university. You could in other words change some of the price relativities and still have a very arguable and justifiable set of prices, without going back and doing full activity based costing in today's climate.

My third key point is that we support the package overall as a basis for growth in the sector and for repositioning universities in a new market environment. Despite the criticisms I have just made of the basic model, we are not arguing about the model or its prices. If this is the particular set of prices which is the mechanism that everyone agrees ultimately will provide a further \$1.5 billion investment into the sector, we strongly support it. We argue only that Victoria University should not be disadvantaged, nor the most disadvantaged, on an argument about overfunding that pretends to be scientific. If anything, the university is underfunded compared to others. We are a relatively young university. We have not had the same level of investment in basic infrastructure as have some others. This will worsen dramatically as the other Victorian universities, and I will just use Victoria, use their new funds—about \$160 million in Commonwealth funding between 2005 and 2007—to reposition themselves, while we tread water with transitional money that gets us back to the status quo. That figure of \$160 million is of course conservative, because their ability to raise additional fees and increase charges is much greater than ours, given the demographics we serve compared to the ones they serve.

Victoria University does not deserve to lose out from the reform package because of our performance. I did not give you the additional detail in the handout, but our growth over the past 12 years has been staggering in relation to student numbers, international revenue and research achievements. In addition to that, we have broken new ground with innovative student access programs which have been designed specifically to support our student population. We believe it is something of an irony that the situation has come about, because VU now has a smaller proportion of students studying engineering and science than it did in the early 1990s. We have done the logical thing and responded to the market. The market sends the signals that have driven this change. The western region has been undergoing an economic transformation, most notably away from old manufacturing to the service industries of the new knowledge economy. I am hoping that we will be looking at in a great more detail than we already have the manner in which those transformations should drive our profile in the coming years.

My fourth key point is that 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.

My fifth key point is that we do not believe that this situation was intentional. I believe that the reform package, while it is not good news for Victoria University, has produced an outcome for us which was probably an unintended consequence of the funding formula, particularly when one of the key intents was wider participation.

My sixth key point is that there are some reasonable amendments that could help the communities we serve. In particular, we are arguing for a new loading on the funding base, something that will serve us both before and beyond 2007. This package needs this amendment, and I put it to you that it is a reasonable amendment that does not threaten the integrity of the package overall. A new loading on the funding base to better address the aims of participation, equity and diversity in metropolitan areas with low socioeconomic status and an associated inability to pay fees or service loans would help give more balance to the whole package. Rural and regional areas have been addressed. Low socioeconomic participation and diversity in metropolitan areas such as ours have not.

The urban indicator for SES provided in appendix 2 suggest that the universities that might benefit from such an amendment would include Victoria University, Newcastle, Western Sydney, Wollongong, Murdoch and South Australia. If you choose to rely only on a patchwork of add-on competitive allocations outside the CGS to address the aim of wider participation in areas such as ours, you will continue to leave us at a serious disadvantage, mainly because such separate allocations are too small and will not actually add to the funding base in an ongoing sense in a way which will stay with us beyond 2007. We will of course also be arguing for a good share of the 25,000 new places with criteria that recognise the demographics we are serving, and we will continue to talk to both the state and the Commonwealth about those aspects.

Finally, in closing I would like to make a promise to my own university. I will be out to talk to students, staff and the wider community over the next few months about how we will continue to grow. These reforms, while they are critical to the sector, are just one moment in history and we will move forward. The university is too large, too strong and too creative to do otherwise. But we would all welcome an improved set of amendments. If the package is left as it is, among the main losers will be those less advantaged Australians in Melbourne and Victoria who should be among the first to gain from reforms intended to widen access and participation.

**CHAIR**—Thank you, Vice-Chancellor. I take it from what you are saying that you do not support the package as it currently is.

**Prof. Harman**—I support the investment of funding and I support the fundamentals but I would like to see these key amendments.

**CHAIR**—The trouble is that we have before us legislation of some 300 pages, when we look at the various bills. It is not a question of fundamentals anymore; it is a question of black-letter

law. That is what we are being asked to accept. So for us it is no longer a hypothetical matter of principal. We have to determine a package. Do you support that package unamended?

**Prof. Harman**—I support the package amended, and I do support the basic position that has been put by the Australian Vice-Chancellors Committee. I am equally encouraged by the minister's comment that he is open to a reasonable dialogue about reasonable amendments that do not threaten the intent.

**CHAIR**—It will be very interesting when we get to see what 'reasonable' means, given that none of the enhancements so far have been funded—not one of them. In appendix 3, you have provided us with some figures from DEST, which we appreciate, and you have indicated to us that, up to 2007, the university will be losing \$9 million. That is a pretty heavy hit for VUT; is it not?

**Prof. Harman**—I will get my colleagues Professor Michael Hamerston and Professor Jim Falk to take up some of the questions.

**Prof. Hamerston**—A turnaround of \$9 million over a three-year period is in itself dramatic. It is the period following 2007, when we take predicted hits of \$2 million going forward, that is a real problem.

**CHAIR**—Per annum?

**Prof. Hamerston**—Yes, per annum. If you place that deficit in the context of the vice-chancellor's remark that, while we stand to remain in deficit, other universities will be forging ahead—with Victoria alone worth effectively \$160 million in the first three years. Our financial situation is very poor in the face of that kind of future.

**CHAIR**—Indeed. These figures of \$9 million assume that you get the industrial relations money, which everyone is telling us is impossible. Do you agree?

**Prof. Harman**—In fact it moves up to about \$12 million if we do not get the 2.5 per cent.

**CHAIR**—The governance is a matter for the state and there has been no indication from any state, frankly. There is a willingness to comply but questions have been raised about the constitutional validity of that aspect of the bill. In fact, \$12 million is a more realistic assessment.

**Prof. Hamerston**—To the extent that there are variables in the package that lead to further deterioration in the funding situation, a university that is significantly disadvantaged, such as our own, can only be harmed further.

**CHAIR**—Does a \$12 million hit start to question the sustainability of the university?

**Prof. Hamerston**—No, because our university has shown a remarkable capacity to be resilient.

**CHAIR**—What sort of courses would you have to cut to fund it? That is the old story: you would have to lose a number of staff. How many staff would you have to lose?

**Prof. Harman**—I would like to put on the record now that everything is up for consideration. You would appreciate that I have not had a chance yet to discuss this either with the senior executive or with council. Nonetheless, even if we did not face this situation I would be looking at where the university is currently positioned: its campuses, its courses, its staff mix, its capabilities and the manner in which it is serving our students. Yes, we will look at every option that will ensure that, if the legislation is passed, we will continue on a viable basis.

**CHAIR**—You have a number of different sites at VU, don't you?

**Prof. Harman**—Yes.

**CHAIR**—Would that include the question of campuses closing?

**Prof. Harman**—As I said, everything is on the cards.

**CHAIR**—So we are looking at staff, courses and campuses.

**Prof. Harman**—The full mix of options open to us will have to be looked at. I concur with Michael that we are not talking about any issue of a challenge to our viability; we are talking about the particular mix of activities and the infrastructure to support it that will allow us to continue.

**CHAIR**—I am on the ANU council, so I am fully aware of what the choices are when you run into a deficit like this: you either have to cut costs or increase your prices. Are you able to increase your prices by fees?

**Prof. Harman**—We think we have a very limited capacity to increase fees; nonetheless, council have already given consideration to that. They have not passed a resolution, as I understand it, but they are considering that as one of the options.

**CHAIR**—What sort of fee rise—30 per cent?

**Prof. Harman**—We have not contemplated 30 per cent to my knowledge?

**CHAIR**—What sort of figure?

**Prof. Harman**—More limited and more modest levels.

**Prof. Hamerston**—Our first calculation was that, in order to make up the shortfall that we were faced with with the original set of figures, we would need to contemplate raising our student fees by seven per cent.

**CHAIR**—Seven per cent?

**Prof. Hamerston**—To stand still.

**CHAIR**—You say that you think the effects of this legislation on VU was unintentional. I am surprised you should say that, because in February a submission was put to the cabinet outlining the effects of this legislation on each individual institution in the country. The course clusters were determined by a senior ministers group; that is how cabinet works. I would not have thought they would put forward a proposition like this, and the overwhelming body of evidence suggests that. That indicates that a number of universities—about 10 in fact—were going to be worse off. I am wondering how you think this was unintended.

**Prof. Harman**—I think if you accept that the basic intent of the bill is to broaden access, to invest in the sector and to bring more funding where it is badly needed—and I do accept that—the government made recourse to a formulaic approach to setting prices so that all discipline areas or funding clusters would be paid the same price across the country. For example, for teaching law you get the same price wherever it is taught. They came up with a formula. My belief is that the basis on which that formula was constructed—much of which was developed in 1990 on the basis of three reports, each of which came from very different forces sources, which were utilised by DEST in establishing a set of relativities between disciplines. They have been massaged again over the years but have not been used and reflected back against actual costs. I do not believe any of those considering the bill fully took that into account. Therefore we are an accident of a formula that is a rather crude formula.

**CHAIR**—I find it extraordinary. The relative funding model and all the anomalies, we agree, have been around for 10 years. This is an extraordinary proposition you are putting to the committee: that this was an unintended consequence, when that position was put to the cabinet outlining what the effect of this legislation would be and that was accepted by the cabinet. We now see a piece of legislation. You can hardly say it is an unintended consequence when there are 300 pages of legislation to back it up. This is no accident; it is a deliberate policy decision.

**Prof. Harman**—Yes, I take the position that the democratic process is one that allows these sorts of dialogues to bring out things that people did not originally anticipate. In terms of the commitment to access and equity, there are some quite reasonable amendments with a new loading that will affect a few universities and fill quite an important gap—and one which is sympathetic to the government's interests.

**CHAIR**—I take it that you have taken these matters up with Dr Nelson.

**Prof. Harman**—Yes, we have had consultations. I have personally had consultations as vice-chancellor designate, not in my current capacity, with both departmental officials and the minister.

**CHAIR**—And is he going to fix these problems for you?

**Prof. Harman**—He is open to propositions—that is badly expressed, so I will change that to he is open to new proposals.

**CHAIR**—In the Senate we have a very broad mind. Some of the big winners from the university system do not seem to share the same level of enthusiasm as you. Professor Brown from Sydney University, for instance, says:

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.

How much of that would you agree with?

**Prof. Harman**—Again, as Professor Duncan—whom I was listening to—said, a good part of that is the standard AVCC response, which I support. It is very important to have indexation. We would like to uncouple the industrial relations issues. The amount of definition that the Commonwealth is trying to give to the discipline mix of every university is going to be extremely hard to do well—it means they have to try to predict future market trends, and that is hard to do for any government. So, yes, there are some difficulties with the package but overall it promises us funding that the sector does need.

**CHAIR**—And anything will do? You will go to any lengths to get money no matter what is required in terms of the policy positions being put forward by the government?

**Prof. Harman**—I certainly did not say that.

**CHAIR**—What limits will you set then? For instance, do you take Professor Gilbert's view when he says:

... the impact on the quality of education we can offer, if we are forced to comply with these regulations, is not worth the money.

Do you share that view?

**Prof. Harman**—We will work to maintain quality. Where we will be handicapped, I think, is our ability to continue to do some of the innovative things we have been doing in our particular area—for example, that PPP program, which has been working with 70 schools to open access to students that otherwise might not have had the same opportunity. That is the sort of constraint we will worry about in addition to maintaining normal quality standards.

**CHAIR**—You have indicated that you were shocked by the industrial relations proposals.

**Prof. Harman**—They were much more restrictive than I had anticipated, yes.

**CHAIR**—You were not misled about that?

**Prof. Harman**—I cannot say I was misled. I have not been at the AVCC meetings.

**CHAIR**—Do you think the Vice-Chancellors Committee was misled about that?

**Prof. Harman**—They are saying they were surprised, so I imagine that expresses the views of the AVCC.

**CHAIR**—Are you familiar with the details of clause 30-25 of the bill?

**Prof. Harman**—If you tell me what they are.

**CHAIR**—The clause goes to the degree to which the Commonwealth minister can now determine the day-to-day operations of your university.

**Prof. Harman**—In terms of the profile mix?

**CHAIR**—Not just the profile mix; it covers everything right down to course load.

**Prof. Harman**—Yes.

**CHAIR**—Were you surprised by the level of intervention there?

**Prof. Harman**—I was surprised about that degree of definition. I think, as I have just alluded to, it is an extremely difficult thing for a government to determine the actual mix which is going to be optimal for a local market. It is a bit of a contradiction to say that we should allow the market to work effectively and then have a government say, 'We are going to anticipate and predict which universities are going to fit the market.'

**CHAIR**—If this package goes through, what do you think the level of unmet demand will be in the western suburbs of Melbourne?

**Prof. Harman**—Would you like to comment on that, Jim?

**Prof. Falk**—It will certainly increase. There are two things. On the one hand, we are currently being forced to cut back our marginal overenrolment. We are now at five per cent; our plans are to cut that back to, effectively, zero. The reason for that is that the marginal overenrolment is too poorly funded for a university without lavish resources to simply subsidise those students. The recent announcement that students would be funded by up to 105 per cent at the student contribution does not help us very much. If we were to receive some of the fully funded new places which will replace marginal overenrolment places, that could assist in alleviating demand in the west. But at the moment all the pressures are upwards. The demand in Victoria is increasing. The sorts of cut-offs that universities use in order to admit students are going up. The same is true of Victoria University because it has only a limited number of Commonwealth funded places and they are effectively declining against increasing demand due to the cutback in marginal places. So the unsatisfied demand in the west, in particular, is increasing.

**CHAIR**—Have you had any guarantees from the Commonwealth that those marginally funded places that are going to be phased out will be replaced with fully funded places?

**Prof. Falk**—Our discussions indicate that it will be quite a complicated process for giving out those places. In the last round we received no new places, and we are concerned that that process might produce no additional places for Victoria University.

**CHAIR**—Thank you, Professor.

**Senator TIERNEY**—Regarding the issue of your university being a multi-campus one, could you tell us the number of campuses you have with over 3,000 students?

**Prof. Hamerston**—Victoria University currently operates from 11 campuses and also from a couple of other sites. One is in the CBD in the legal precinct where our law school is located. We also operate from a site in Echuca, where we run a program known as Nyerna Studies, which is essentially for the Koori people in that district. In addition to that, the university, as part of its entrepreneurial effort, operates in China, Hong Kong, Singapore and Kuala Lumpur. So by any measure we are a widely distributed institution essentially operating in the Melbourne CBD and the western suburbs of the greater city of Melbourne.

**Senator TIERNEY**—Of those 11 sites in Australia, how many would have more than 3,000 students?

**Prof. Hamerston**—Let me do a quick count on my fingers. It would be seven.

**Senator TIERNEY**—Are there any operating across a fairly wide area of western Melbourne like the University of Western Sydney does across Western Sydney?

**Prof. Hamerston**—Very similar. We operate from Newport, Werribee, Melton, Sunbury, St Albans and two sites in Footscray in addition to the CBD site.

**Senator TIERNEY**—There are only three universities that are in that category in Australia. Have you done any estimate on the administrative cost disadvantage from being so spread out? It is terrific you do that because you are in so many points of the city, but obviously it is a little more difficult than, say, the University of New South Wales stuck on one side of Kensington, for example. Have you done any study on how that affects your costings and running a university?

**Prof. Hamerston**—We did some modelling some time ago on that point. I have to say that, despite some fairly expensive consultancy input to that analysis, in the end it was very difficult to be precise about the cost drivers that flow specifically from operating a distributed university. It would be true to say, however, that *prima facie* there are cost penalties, and we would like to see those cost penalties reflected in the way in which we are funded. We do not operate on 11 campuses just because we think it is a good idea to operate on 11 campuses; we operate in response to a mission from the government and the people of Victoria to serve the needs of particular growing populations in areas of social economic disadvantage. That is why we do it.

**Prof. Harman**—As you may know, my most recent appointment before coming to VU was at Edith Cowan University in Western Australia.

**Senator TIERNEY**—It is similar.



**Prof. Harman**—It also has gone through quite significant exercises in looking at the costs and economies associated with campus consolidation. I would certainly want to be talking to the senior staff and to the council about opportunities in our own situation but I am extremely sensitive to the point that Michael has just made that we are serving a region where adding additional travel costs to students is an issue that we need to take into account. So we are balancing up a series of issues on the one hand of what the student needs and staff needs are versus economies within administration. But if we can share across campuses usefully and centralise some of our administrative costs, we should be looking at it.

**Senator TIERNEY**—With Edith Cowan, how many campuses would be above 3,000?

**Prof. Harman**—Edith Cowan now has Churchlands, Mount Lawley, Joondalup. Bunbury is a much smaller campus and Claremont has now been phased out.

**Senator TIERNEY**—So it is three?

**Prof. Harman**—It is nowhere near the spread of this one.

**Senator TIERNEY**—It was just good practice for you.

**Prof. Harman**—Yes.

**Senator TIERNEY**—You mentioned having a particular equity loading in urban areas and gave the example of the rural package of \$122 million. It is actually a little more complex than that because regional and particularly rural universities have additional cost disadvantages ahead of any urban university just because of the tyranny of distance and all those factors. The basis of funding was perhaps more that than the other, so I might challenge you saying that they have got it on factor A when it is really factor B.

**Prof. Harman**—I am not querying in any sense the value of having a loading for the rural and regional universities and for the particular cost drivers and issues they are trying to deal with. I am simply saying that in our particular circumstance—and there are not many universities like VU—there are a few of us who are caught by this and there are some very significant metropolitan populations who are caught by something that has slipped between the cracks in this particular approach. It would not be that hard to remedy it.

**Senator TIERNEY**—You were critical of the IR measures in the bill, which are fairly minimalist. You probably do not read the *Sydney Morning Herald*, but today's editorial is headed 'Needless strike by academics'. It says that the Australian workplace agreements have been on the industrial relations scene since the Keating years and they indeed set them up. It also says that there is not much difference between what the government wants to impose and what is already in practice in other industries. Given that we are not doing what the *Australian* editorial last week advocated, which is AWAs being available to all staff—we are not suggesting that—why is there such concern about such a minimalist change where AWAs must be available if an individual staff member wanted to access them? Why is that such a huge problem?

**Prof. Harman**—Let me answer this way, by saying that I was heavily involved in the last enterprise bargaining round and currently am a member of HEIA, the employers association for

the majority of the Australian universities. It is an issue that I do have some familiarity with. I am on personal record as being in favour of greater choice by academic staff in being able to choose the mix of employment conditions which suits their own life circumstances. If that means that they are able to take up employment contracts that vary from some of their colleagues, I would be arguing and have argued for that sort of support. However, the issue of the AWAs is one that we are all aware is of great concern to the unions.

**Senator TIERNEY**—I am sure it is. It is a cosy closed shop arrangement.

**Prof. Harman**—I am particularly concerned not to have the energies of myself, my staff and the university diverted into a confrontation about that particular issue if we can sit down and build up a set of constructive discussions about flexibility in arrangements that they are more comfortable to live with. I am therefore somewhat comforted by Minister Nelson's comments recently in a *7.30 Report* interview where he coupled common-law contracts with AWAs as acceptable forms of flexibility.

**Senator TIERNEY**—Given your experience in this area and the way unions have approached it over the last 10 years, you must be aware of the fact that we are supposed to have enterprise agreements but what in reality happens is that you get a pacesetter like the University of New South Wales and then they try and pattern bargain across the system. That must greatly disadvantage universities like Edith Cowan and now VUT, where you are.

**Prof. Harman**—I agree with you. I would like to see the local branches with much greater flexibility provided by the Victorian head office of the NTEU and other unions to negotiate reasonably flexible and differentiated agreements with each of their local universities consistent with the principles of enterprise bargaining, not pattern bargaining.

**Senator TIERNEY**—We are facing a number of alternatives here. I am surprised to see that Labor has come out with the policy they have. I do not know whether you have had a look at Aim High, which came out on 26 July and sank without a trace in a day. I think we should have a really good look at it. I would like to revive it—

**Senator CROSSIN**—You keep giving it publicity, which is a good thing.

**Senator TIERNEY**—I am publicising this for you, Senator. I think it should be publicised. I want to tie it in with a press release by Jenny Macklin—

**CHAIR**—This is the extra \$7 million.

**Senator TIERNEY**—Exactly. I am glad you raised that point; that is the exact point I wanted to raise. Jenny Macklin's press release said that VUT would be better off by \$7 million. Of course, she is not including the black hole in the calculations, which is \$212 million across the whole sector because of the proposed changes under Labor in the HECS arrangements, which in the case of your university means you would have to find another \$4.7 million. That brings you back, on their figures, to \$2.3 million over three years. So we are now down to less than \$1 million a year. But there is another assumption underlying all of this—

**Senator CROSSIN**—You've got these figures wrong too.

**Senator TIERNEY**—I know this is embarrassing, Senator, but just listen.

**Senator CROSSIN**—You are comparing apples with pears.

**Senator TIERNEY**—Point of order—I am asking the question. Getting that little bit under a million extra each year over those three years assumes you are going to get full indexation; that is the assumption. Given that you must have been a senior administrator in universities during the Hawke-Keating years and saw what happened with indexation over those 13 years, what confidence would you have in that promise anyway?

**Prof. Harman**—Senator, would you accept the fact that I would prefer to stand back from the debate between the parties at the moment on the relative merits of the different packages. I am most concerned about where we are going.

**Senator TIERNEY**—But you have been commenting on it, Vice-Chancellor. You have been commenting on the various merits of our package. What I am asking you to comment on is that there is an alternative proposal. If Labor get into government next year, this presumably is the plan, and we are talking 2005 to 2007. As for next year, we have not even got to that time period. Presumably, if they got in they would put this in, so that is what you would be faced with. You have commented on the other package, which is not reality yet because it has not been through the Senate either. Neither of them is reality yet; they are two plans for the future. So I am asking you what confidence you would have that it would happen.

**Prof. Harman**—I appreciate your asking me. However, I have concentrated, in the recent time that I have been preparing to come into the office, on the most likely package that is in front of us at the moment. I would be happy to talk representatives of any of the parties about the relative merits of their package but I would prefer to have a bit more time to get into the detail.

**Senator TIERNEY**—I appreciate that you have been a vice-chancellor for a day and a half.

**Prof. Harman**—Thank you.

**CHAIR**—I will take this opportunity to acknowledge the member for Eltham, Steve Herbert, who is in the audience here today. Mr Herbert is the chair of the Victorian Legislative Assembly education committee, a parliamentary committee.

**Senator STOTT DESPOJA**—Professor Hamerston, you mentioned that you were looking at a potential increase in HECS fees of about seven per cent across the board. Would that be an average increase for all HECS courses or is that something that would be specific to certain courses depending on demand?

**Prof. Hamerston**—There is a lot of uncertainty about a number of the parameters in the package and the way in which it would be implemented. What we have tried to do is not make an early assessment of which programs might take a higher premium and which programs might take a lower premium but to do our modelling on the basis of what we stand to lose and on average what we would need to increase the HECS contribution by in order to compensate for that lost through the CGS. That has been the basis of the calculation. If I could just add something, I suspect that the figure, if we were to do that calculation today, might very well edge

higher than seven per cent because that seven per cent was leveraged off the initial DEST data, which was over \$2 million less than it stands today. We are to lose \$2 million more today than we were on the original estimates.

**Senator STOTT DESPOJA**—I was going to ask about the DEST figures that you have provided us with. Professor Hamerston, I note that, in response to Senator Tierney's question, you talked about modelling but that was about a different issue. Are you considering undertaking private modelling—by Phillips Curran or whoever may be available to undertake some modelling on behalf of the university—to check the DEST figures or, more generally, to get an independent assessment?

**Prof. Harman**—Perhaps I could make a comment. We have considered it in the past.

**Prof. Falk**—We have. We have done our own in-house work already, but we will be doing further work in house to make sure that we have got the numbers exactly right.

**CHAIR**—Phillips Curran have done a lot of modelling for a number of universities. Are you thinking of using them?

**Prof. Harman**—I have talked to David Phillips recently about the possibility of assisting us in some measure. Whether it is specifically on modelling the figures for the legislation or the larger questions which we have associated with our profile mix to best position ourselves for the future is an open question at this stage. There is certainly nothing definitive that has yet been determined.

**Senator STOTT DESPOJA**—That is fine. I understand that. If you do undertake any modelling and you are prepared to share that with the committee, depending on the time line, that would be appreciated. Just to clarify this, my understanding is—and I know you have referred to this but I want to get it very clearly on record—that the figures to which you refer provided by DEST actually include that additional CGS funding.

**Prof. Harman**—They include the 2.5 per cent.

**Senator STOTT DESPOJA**—So even on that calculation—bear with me; I know that Senator Carr has been through this but I am a little perplexed—with that funding built in, you still lose. Your New South Wales counterpart Jan Reid referred to her institution in the kindest possible way as a loser institution under this package. Yours is also a loser institution under this package, is it not?

**Prof. Harman**—We believe we are at the moment the biggest loser—

**Senator STOTT DESPOJA**—It gets better!

**Prof. Harman**—Professor Reid and I have had a discussion about this matter—not in the sense of the overall quantum necessarily but in the sense that beyond 2007 we will continue to track below the line where we believe all others will go. That is, their projected income will return to a positive value while ours will stay in the order of \$2 million to \$3 million per year

below the line. That is a loss. So the transition funding helps us only for three years and after that we are on our own.

**Senator STOTT DESPOJA**—Indeed. While there may be other institutions that make claims about the degree of money or other aspects where they may lose or gain as the case may be, you have made a very compelling case to us as to why your university and its campuses are so important, so integral, partly because of the socioeconomic mix and particularly in terms of the urban mix. As you have said, your institution can least afford to lose so much. On that basis I am grappling with the notion that we should pass the package, albeit with your suggested amendments, be they a loading or some of the other changes to which you have referred. If this goes through, the status quo for you is going to be a very difficult environment in which to work not just, as you have said, for the next two to three years but beyond.

**Prof. Hamerston**—I can only agree with your analysis—you are absolutely correct. We would be thrown back on our own resources by way of entrepreneurial activity, which we are quite capable of doing. But having said that, we would struggle to make up the losses that we would sustain through the Commonwealth grants and through entrepreneurial and commercial activity, and we would still be hamstrung by the fact that we did not have what the package is intended to deliver, which is a capacity to invest in development, growth and improved quality within the sector. That is the real detriment of tracking below the line, as the vice-chancellor has said. Your analysis is absolutely correct.

**Senator STOTT DESPOJA**—You are also constrained when you talk about that notion of flexibility, being able to respond to market trends or whatever, with the freeing up, so to speak, of the fees and charges. Based on your socioeconomic analysis, I would think that even a seven per cent increase in your HECS fee is going to be pushing it for a lot of your students or aspiring students.

**Prof. Harman**—That is part of the double or triple jeopardy we are in. We are looking at a situation where others are positioned with new money to invest for the future and for a market environment. We cannot compensate necessarily with additional fees and charges. We can model what we might do to recover our funding but whether our particular demographic, our student body, is in a position or willing or wants to pay those fees is another question. In addition to that, the triple jeopardy is that we have to look very hard at the innovative programs we have been providing to a diverse population in terms of its multiculturalism and a series of support and special access measures for students who are coming for the first time from their families with low income into our communities. I would not want to put a question mark on things like the PPP, but you raise issues about whether you can fund those and compete when others are spending more on positioning at the same time.

**Prof. Falk**—Yes, we might well be able to grow ourselves out of the financial loss that the package implies in its current form but it would be quite likely that we would have to grow ourselves away from our legislated mission, which is to serve our region and to serve just the students whom you have identified there. And if we are going to grow away from that, who is going to walk in to fill that gap?

**Senator STOTT DESPOJA**—That is what we are worried about. Appendix 4 points to the very important and positive things that you have done, so when I use the terminology ‘loser’ I

use it specifically in relation to this package. I have one further question regarding the time line: do we need a resolution for the purposes of your university's planning by the end of this year? Given that your funding for next year is provided for in HEFA, is it really necessary that we resolve this debate in 2003?

**Prof. Hamerston**—There is no great urgency in terms of next year's budget or the following year's budget. There is great urgency about what the package delivers in systemic terms for our university seeking to position itself for the next five or 10 years. That is the real dilemma. This reform is designed to restructure the higher education sector for a lengthy period. Our concern is for improving the situation for our university over the medium to long term.

**Prof. Harman**—In order to serve the communities that it serves.

**CHAIR**—Thank you very much for your advice today; we much appreciate it.

**Proceedings suspended from 2.51 p.m. to 3.01 p.m.**

**LARKINS, Professor Richard, Vice-Chancellor and President, Monash University**

**LINDSAY, Professor Alan William, Deputy Vice-Chancellor and Vice-President (Academic), Monash University**

**PARKER, Professor Stephen John, Deputy Vice-Chancellor, Monash University**

**CHAIR**—I welcome the witnesses. I understand that there is no formal written submission?

**Prof. Larkins**—I think there was a brief submission. I should add that I have been in the position slightly longer than Professor Harman, but not very much longer. Therefore, I think it is a brief submission supporting the Group of Eight position.

**CHAIR**—We are not quite certain of the number of this brief submission, but do you have any changes you would like to make?

**Prof. Larkins**—I think some expansion of the submission would be appropriate.

**CHAIR**—That would be a blessed relief to us all. I draw your attention to the fact that the subcommittee prefers all evidence to be given in public, although the subcommittee will also consider any request for all or part of your evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. I now invite you to make a brief opening statement.

**Prof. Larkins**—Thank you very much. We very much appreciate the opportunity to appear before this subcommittee and the fact that we were added as a late addition. The first point I would like to make is to say a little about Monash University. It is unique among the research intensive Group of Eight universities, in that it also has a multicampus structure and that it has regional and outer urban campuses as well. We are very committed to the idea that not only can we aspire to international excellence in research and be highly competitive in that field, but also we have the other campuses that allow engagement with local communities and offer educational opportunities to students from a wider variety of backgrounds. We think that bivalent approach is a very good model, because it does allow the regional and outer urban areas to benefit from the economies of scale that come from a much larger university with a very strong research base.

The second point I want to make is to emphasis that higher education in Australia is very much underfunded and that it is absolutely imperative for the future of this country, and for the future of young people and the opportunities they have in this country, that there is a substantial increase in the funding of higher education. I can give all sorts of comparative details that are probably not particularly relevant at this level of detail in a five-minute presentation, but my own experience in medical education, visiting many other countries, shows me that compared with countries of comparable economic status we are devoting much less public money, as well as opportunity to put private money, to education and higher education. So we think it is absolutely imperative that there is a substantial increase in funding for our universities.

With respect to the particular proposals that are before the Senate, we think that there are some good things about those proposals and also some bad things about those proposals. But we think the worst outcome is that the proposals are rejected in total and that nothing happens—that is the worst possible outcome. The good things are, first, that there is a reallocation of funding according to the current load. That is a recognition of a status quo that has not been adjusted over the years as the relative loads have altered. The second good thing is that there is a true increase in government funding of higher education—that rises from 2.5 per cent up to 7.5 per cent. The third good thing is that it does allow differentiation so that there is the opportunity for some of the 38 universities to become truly internationally competitive, research intensive universities. The fourth good thing is that the threshold for HECS repayment is raised. That is a true equity issue of very great substance and one that we strongly support, although we would prefer the repayment threshold to go up further. The fifth good thing is that there is a loan scheme, albeit one that is not optimal, for fee based Australian students and overseas students and that there are some equity measures.

But there are a number of problems as well that we associate with the so-called reforms. I personally do not like the idea of increased debt for students and students graduating with increased debt. In my own field of medicine, for example, in America academic medicine has been almost completely denuded of medical graduates because of the high graduating debts that medical graduates emerge with and the pressure that they feel to get into highly remunerated forms of medicine as soon as possible to repay those debts. So there are perverse incentives associated with high debts, even if they are deferred and even if they do not carry interest.

There is the lack of indexation of the commitments into the future. The equity considerations we consider are inadequate and would need to be complemented by very substantial equity proposals at our own university level. The linking of the increased government funding to the workplace reform agenda is confusing two issues. We think it is counterproductive and will actually lead to a delay in the progress we are making towards increased workplace flexibility. The interest charged on the FEE-HELP and the overseas study help schemes we think is excessive and inequitable. The increased government charges associated with international enrolments is, again, a very adverse component of the package. The requirement for changes in governance structures being linked to the package is again an unnecessary intervention in something that at our university works very well. Also, there is the lack of real increase in university places once the overenrolments are taken account of, the lack of attention to deficient research infrastructure and the lack of attention to a research training scheme.

On balance, we would say that the greatest imperative is that there is increased public funding for our university sector. We feel that if the current proposals in some form or other do not get through the Senate there will be no immediate prospect of this increase and that Australia will suffer and the young people in Australia will suffer. So we see a number of problems with the current proposals, but we see the worst outcome is that nothing is passed.

**CHAIR**—Thank you very much, Professor. I take it that all those areas are areas in which you would like to see amendments—the list of issues that you have raised.

**Prof. Larkins**—Yes, the things that I have raised as problems are all areas where, ideally, I would like to see amendments. But I reiterate that the worst outcome from our point of view and higher education's point of view is that nothing is passed.



**CHAIR**—The problem is that the Senate may not choose to pass the government's package in its current form. I would think it would not be too presumptuous to suggest that the Senate may well want to consider a substantial number of amendments along the lines you have indicated, for instance, but the government may then choose to withdraw the bill. What do you say to that prospect?

**Prof. Larkins**—I see that as an extremely strong possibility and that is why I am putting the emphasis on the worst outcome being withdrawal of the bill and no other bill being put forward.

**CHAIR**—In that circumstance you think we should accept an ill conceived commitment to voluntary student unionism—to quote Professor Brown at Sydney. We should accept an overly tight straitjacket for the distribution and redistribution of government subsidised places. We should accept an excessive degree of control inherent in the discipline mix. We should accept a gross intrusion into the universities' autonomy, academic freedom and student choice. We should accept an illogical link between increased funding and ideological components of industrial relations. We should accept the fact that there is no indexation. We should accept the fact that it is not sustainable.

**Prof. Larkins**—What I have argued for is an approach based on seeking amendments, seeking compromise and seeking the passage of the bill that will increase funding. I think the worst outcome is for nothing to happen.

**CHAIR**—You want the government to compromise?

**Prof. Larkins**—Of course.

**CHAIR**—You have had a look at the bill now.

**Prof. Larkins**—Yes.

**CHAIR**—Are you shocked by the level of intrusion that has been proposed in this bill?

**Prof. Larkins**—I would have preferred much less intrusive legislation allowing the universities to achieve their mission which, in most cases, is aligned with the mission of their staff.

**CHAIR**—When did you first know about the control the minister was proposing for him to determine the courses—and I emphasise courses—at your university?

**Prof. Larkins**—I would not have put the question or my reply in quite those terms. Of course there has been a level of detail that has been revealed in recent times, and we knew the general format of the requirements at the time of the initial proposal.

**CHAIR**—Professor, you were aware that the minister was proposing to control the courses at your university.

**Prof. Larkins**—There has been an extreme level, I guess, of government control of universities in Australia since the year dot.

**CHAIR**—Indeed, but in terms of this legislative package would you agree that this is the first time the minister has sought to personally control the courses?

**Prof. Larkins**—I would not put it that way and prefer not to specifically respond to that.

**CHAIR**—Isn't that what this bill says? Have I misread this bill? Is that not the power that the minister is seeking with the passage of this legislation through the parliament?

**Prof. Larkins**—I prefer not to respond specifically to that statement, which is a leading question and putting words into my mouth.

**CHAIR**—All I am saying to you, Professor, is that you have read the legislation. Is that not a reasonable interpretation of what this legislation will allow a minister—this minister or any minister—of any political persuasion while this law remains? Is that not a reasonable expectation that could happen?

**Prof. Larkins**—If we look into reserve powers in all forms of legislation, you can raise all sorts of alarmist interpretations. I have basically said that there are elements of the package that I am very unhappy with. On the other hand I have said that the worst outcome is that the bill is not passed at all.

**CHAIR**—Vice-Chancellor, I am surprised you say this is a reserve power; this is not a reserve power.

**Senator TIERNEY**—On a point of order, Chair: you are actually badgering the witness.

**CHAIR**—No, I am not.

**Senator TIERNEY**—Yes you are.

**CHAIR**—I am asking for him—

**Senator TIERNEY**—You are badgering the witness.

**CHAIR**—Thank you for your advise.

**Senator TIERNEY**—The witness has given his answer to you.

**CHAIR**—I would ask you to look at clause 30 to 25—perhaps you would like to take this on notice—and explain to me where the reserve powers are, because it is quite explicit what the minister can do under this legislation. This is before we have seen any guidelines, which may well extend that power.

**Prof. Larkins**—I am not sure what you are trying to get me to do, Senator. I have said I am unhappy about that aspect of the legislation. I could say it again, but I have made that clear.

**Senator TIERNEY**—You have made your point, Senator Carr. Perhaps we should move on.

**CHAIR**—And that would be an area you would seek amendments on as well?

**Prof. Larkins**—I have certainly suggested that.

**CHAIR**—The university provides regional campuses in this state, does it not?

**Prof. Larkins**—It does.

**CHAIR**—How will it be able to provide a regional service load under this package?

**Prof. Parker**—We accept that within Monash University there are cross subsidies. We think that if Monash University overall is put into a stronger position, we will be better able to support our outer urban and rural campuses than if we were alone or solely an outer urban or regional university.

**CHAIR**—Do you think this package enhances your capacity to do that?

**Prof. Parker**—We think it has the potential to do so.

**CHAIR**—Can you show me where in the legislation I could draw evidence to support that conclusion?

**Prof. Parker**—We think that the potential to charge above the HECS levels in metropolitan areas, plus the provisions in relation to full fee students, will enable sufficient revenue to be generated that we can improve the equity that we do in outer urban and regional areas.

**CHAIR**—Professor, what is the expectation in terms of the increased charges that you will be leveraging if this legislation becomes law?

**Prof. Parker**—We have not modelled those specifically yet. We are awaiting the passage of the legislation, and also a consideration of demand issues in the metropolitan area. But I should stress that one of the outcomes that we seek from this package is to provide greater equity to outer urban and our rural campus at Gippsland.

**CHAIR**—Is there a strong demand to increase fees by 30 per cent in Gippsland?

**Prof. Parker**—I did not say that there was any suggestion of increasing HECS levels at the Gippsland campus; I referred to our metropolitan campuses.

**CHAIR**—What sort of increase would you anticipate at the metropolitan campus? Is this at Clayton?

**Prof. Larkins**—Clayton and Caulfield are the two central metropolitan campuses. We also have campuses at Berwick and Peninsula. It would depend on the course and on the demand in relation to that course. We anticipate that in most cases the HECS charge would be increased by 30 per cent.

**CHAIR**—You raised the issue of participation of Australian universities in the world. It is becoming an increasingly important issue for you, given the campus operations you have in South Africa, which I understand are not doing that well at the moment. Is that right?

**Prof. Larkins**—It is very early days in their development. They are doing very well in many ways. They have recruited excellent staff and outstanding students, but of course it is a long-range investment in international activity. It is funded by fees from international operations.

**CHAIR**—I have seen estimates that you expect to lose \$30 million from that operation over the next five years. Is that figure within the ballpark?

**Prof. Larkins**—From the projections we expect it to be cash flow neutral by 2009.

**CHAIR**—In that period how much do you think the losses will be?

**Prof. Larkins**—It is very hard to predict that. We are monitoring them very closely and have a process of risk analysis that is following them up very closely.

**CHAIR**—Have you told the Victorian government that you are likely to lose \$30 million?

**Prof. Larkins**—I am not sure exactly how that aggregation comes. I think it would be approximately a negative cash flow of that amount by that time, but it is a long-term investment in a potential area of great importance to Australia. Putting our reliance on international fees in a single region of the world is a very hazardous process. This attempt to diversify is potentially of huge importance for the redevelopment of Africa, in the role of Australia in Africa and in a range of other things.

**CHAIR**—Absolutely.

**Prof. Larkins**—So to have one high-risk venture going on along with others is reasonable.

**CHAIR**—I appreciate that. So not only will you have to raise your fees to cover equity concerns but also you will have to raise additional revenue to fund the losses from the South African campus?

**Prof. Larkins**—No, that is not what I said. I said that international activities were already well and truly covering that activity.

**CHAIR**—Australian universities are now operating, as you said, in a much more competitive environment. Asian universities are now actively recruiting in Australia. Given that the minister is constantly referring to the fact that, in his mind, Australia has no university among the world's top 100 universities, do you think that sort of remark is damaging to our international reputation?

**Prof. Larkins**—My view is that any comparison between universities is very difficult, because a whole range of factors go into the role of universities and how well they are functioning. I prefer not to enter into any conjecture around league tables or anything like that. I certainly would not make any statements one way or the other about that.

**Senator TIERNEY**—I have had the opportunity to visit your campus outside Johannesburg. It is a very impressive operation and places Australia very well in Africa. I really encourage you to persist with what I think is an excellent adventure. As they say, the sun never sets on Monash University. I would like to start by a consideration of the paths—the current situation—that lie before you at the moment. It is this package or the Labor Party package, which they released on 26 July. Have you had a chance to look at that alternative?

**Prof. Larkins**—Yes.

**Senator TIERNEY**—Which package do you think would serve your university and perhaps the sector better if we projected out 10 to 20 years? Do we go with an approach that has increased public funding and a greater flexibility in private funding or do we put it more back on the budget?

**Prof. Larkins**—I believe that both packages are suboptimal. Thinking purely from the point of view of Monash University, looking into the future, the current proposal would place Monash University in a stronger position than the Labor package. On the other hand, seeing the surplus we have just had, a much greater public investment in public education would be a much better outcome than either package had on the table. I think the concept that the population would prefer, for example, to get a \$10 tax cut than have better opportunities for their children to access high-quality higher education and all the economic opportunities that would flow from having a strong university sector, is not something that has been put adequately to the Australian public.

**Senator TIERNEY**—That is not really the only choice, is it? You could also argue that for better roads in the country, improving money allocated for disabilities and a whole range of other government areas.

**Prof. Larkins**—Absolutely. I would agree with all those issues.

**Senator TIERNEY**—Some would also argue that having put \$10.6 billion extra into public funding and then giving you greater flexibility in private money is not a bad start at this point to changing the arrangements for higher education.

**Prof. Larkins**—I have conditionally supported the package and said that the worst thing to happen would be for it not to be passed in any form.

**Senator TIERNEY**—There has been a review of Labor's approach by the AVCC—I will come back to the specific effects on Monash in a minute. The AVCC, having reviewed Labor's Aim Higher fairly thoroughly, says it is:

... not enough to make the existing funding structures work better ... there is little extra direct investment [in Labor's policy] to improve equality in universities' existing teacher load ... The package shuts off some existing sources of private investment and makes no proposals to improve private investment ... there is little extra core funding in Labor's policy.

Wouldn't that be a bit of a disaster for the university sector, if the AVCC analysis is correct?

**Prof. Larkins**—For universities such as Monash which have a substantial income from fee based Australian students, there would be a major negative to offset the increased public

funding. There are also some good things about the Labor package, but there are some things that cause us concern. I do not think the changes put forward in the Labor package are of sufficient magnitude to have the effect on the higher education sector needed for Australia to really be a major participant in economic development and to solve the problems that the planet faces over the next 100 years. Just getting back to your original point about alternative investments that could be made with budget surplus or any other taxation income, I think that education is unique in having a multiplier effect and having a return on the investment. If we look at countries like Ireland, Singapore, the Scandinavian countries, or a number of European countries, for example, that have made a really major public investment in education, they have all prospered economically quite dramatically 20 or 30 years on. So we are not talking about competing with roads or health; we are talking about reinvesting in the future of Australia.

**Senator TIERNEY**—Let's come back to the effects on Monash with the Labor policy. I am reading from a press release by the shadow minister for education, Jenny Macklin, who is also the acting Leader of the Opposition today. Under this proposal, she is claiming that Monash is \$17 million better off under Labor's proposals. Of course, it does not include the \$218 million black hole in their calculations over the change to the HECS arrangements, of which your share at Monash is \$13.8 million that you would have to find to make up for that in some other way. If her assumption of \$17 million is correct, that brings you back to \$3.2 million for 2005 to 2007, which is a fraction over \$1 million extra a year. But you lose fee-paying income. That is also under the assumption that you get full indexation now. You must have been a senior administrator in universities during the 13 years of the last Labor government. How confident would you be, even with those figures, that you would get full indexation, which basically maintains real value from this point in time; it does not really increase real value.

**Prof. Larkins**—That is why I do not intend to indulge in speculation about whether full indexation would occur or not. I do agree with the AVCC position that the Labor package is insufficiently substantive to make any significant difference to the relative underfunding of the higher education sector in Australia.

**Senator TIERNEY**—One of the things there has been a lot of views expressed on is the rather minimalist changes to the industrial relations system, where we have suggested that AWAs be available to staff—not compulsory but available—if they wanted to access them. There was commentary on this today in an editorial in the *Sydney Morning Herald*—as you are from Victoria, you probably do not read it—which says:

... Australian workplace agreements, which have been part of the industrial relations scene since the Keating Labor government.

Indeed, they introduced them in 1994. It also says:

... there is not much difference between what the Government wants to impose and what is already accepted practice—

under a developing system of AWAs. Why should the universities be different from the rest of the economy?

**Prof. Larkins**—The issue is the linking of two things that need not be related in one bill, the degree of intervention that is required in terms of implementation of the proposal, the effective

backdating to 22 September of the requirements and the fact that it will interfere with a process which has been progressing fairly satisfactorily in universities. Much more flexible work conditions have been negotiated, both on an individual staff basis and also through EBAs. I would like to ask Professor Lindsay to comment, as he is overseeing the current negotiation round with respect to EBAs.

**Prof. Lindsay**—We have a range of contractual arrangements which are quite flexible. Over the last two rounds we have been able to increase that flexibility in a way that has been both successful in pursuing the university's goals and seen by staff as being in their interests. The progress has been quite considerable and will continue under the current arrangements as we enter into a new round now. We are just starting negotiations. The proposal to require the use of 'AWAs' as a term, rather than 'individual contracts'—

**Senator TIERNEY**—Well, they will be available.

**Prof. Lindsay**—Even so, the requirement to have them available rather than to have individual contracts with similar sorts of procedures is in a sense ideological, rather than a matter of substance, and unnecessary in that industrial sense.

**Senator TIERNEY**—You could say that awards were ideological, too, if you wanted to draw a distinction that way. I do not think that is helpful to the debate, really.

**Prof. Lindsay**—I do not think the government's use of the term 'AWAs' in the context of universities and their historical industrial situation is helpful in us moving forward to a more flexible industrial situation.

**Senator TIERNEY**—You call it an enterprise agreement, but isn't this what really happens: you get a pace setter, maybe the University of New South Wales or Sydney, and then with pattern bargaining it just flows? What happens in terms of the final outcome of the awards is really a bit against the spirit of enterprise agreements, isn't it?

**Prof. Lindsay**—There is a certain degree of uniformity across the awards. On the other hand there is a growing level of specific conditions that have been achieved at various universities.

**Senator TIERNEY**—How many of the staff have access to that, though? Obviously, at the higher levels—where there is a smaller number of staff—there is that sort of flexibility. What about from, say, senior lecturer down? How much flexibility is there for them?

**Prof. Lindsay**—We do not have individual contracts normally available for anyone other than senior staff. What we do have is the ability, through our performance management scheme, to reward staff in terms of performance in a way that was quite unknown five to 10 years ago. So, while there is a basic award level, we have something like 30 per cent of staff receiving some form of additional payment due to particular responsibilities or due to their level of performance.

**Senator TIERNEY**—Is that academic staff, or all staff?

**Prof. Lindsay**—That would be essentially academic staff, but it is not only academic staff.

**Senator TIERNEY**—As a percentage of total staff, how many would have that flexibility compared with being on a standard award arrangement?

**Prof. Lindsay**—It is probably about half that percentage if you take into account the total staffing. We have roughly half academic and half general staff.

**Senator STOTT DESPOJA**—Professor Lindsay, have you had any requests from staff for an AWA?

**Prof. Lindsay**—No, we have not. We have certainly had requests from staff to be on individual contracts, and we have negotiated successfully those contracts with them. We have not had a request for an AWA as such that I am aware of.

**Senator STOTT DESPOJA**—Vice-Chancellor, in relation to the DEST figures that you have presumably been provided with, have you any intention of doing modelling of your own—or indeed, has the university done any modelling based on the package and its implications for your institution?

**Prof. Larkins**—With respect to the alterations according to the current load or the increased HECS charges?

**Senator STOTT DESPOJA**—Including the modifications that were made two weeks ago in the announcements by the minister, so that can include the additional Commonwealth grants funding as well as additional HECS load. I am presuming that you would not have factored into that any proposed increases in HECS by your institutions, not the ones Professor Parker was referring to.

**Prof. Larkins**—We have not done detailed modelling yet, because it is going to be quite sophisticated with respect to the different campuses and taking into account different loads. We expect that, just by reclassification according to the current load profile, there would be an increase of something like \$7 million to \$9 million.

**Senator STOTT DESPOJA**—Is that per year?

**Prof. Larkins**—Yes.

**Senator STOTT DESPOJA**—Presumably in 2005 that would be incorporating the additional Commonwealth Grants Scheme funding as well?

**Prof. Larkins**—Yes.

**Senator STOTT DESPOJA**—So that would be contingent upon your agreement with the workplace reforms?

**Prof. Larkins**—Correct.

**Senator STOTT DESPOJA**—Were you to deduct that additional money, what kind of impact would that have?



**Prof. Larkins**—It would have a substantial impact. I cannot give you the exact figures.

**Senator STOTT DESPOJA**—Would you be prepared to take that on notice?

**Prof. Larkins**—Yes, we could do that.

**Senator STOTT DESPOJA**—Any information you could provide the committee with would be appreciated.

**Prof. Larkins**—Certainly.

**Senator STOTT DESPOJA**—I have one other question in relation to overseas students. You mentioned international students. I presume you were talking about charges to international students offsetting, for example, the offshore campus.

**Prof. Larkins**—Not only that. There is also the royalty stream from the Malaysian campus at Monash University.

**Senator STOTT DESPOJA**—I see. I think the point that you were keen to make to Senator Carr in your comments was that any changes in fees for domestic students were not intended to subsidise or assist offshore campuses.

**Prof. Larkins**—Absolutely. We have no recycling of government funding or Australian fee income into the overseas operations. Those are long-term investments that we hope will be of benefit not only to Monash but more importantly to Australia at large, and also to Africa in the case of the South African campus.

**Senator STOTT DESPOJA**—Indeed. The changes that were announced as part of this package in the budget included some rather steep increases in the amount charged for visas for overseas students as well as their providers. As you know, the Democrats unsuccessfully moved to disallow those changes in the Senate. A number of vice-chancellors have expressed their concern with that decision. Do you have a view on that?

**Prof. Larkins**—Yes, I have a strong view. I think that already a lot of international students who are coming to Australia are under considerable financial pressure. We think it is a very good thing for our universities and for Australia that we do have a large number of international students, from an educational point of view and for building links with those countries. We are very concerned because the financial load on the students is substantial, particularly as the universities are being forced by economic considerations to put up the fees. Increased visa charges is another impost and, both from a point of view of the university and the students, it is going to adversely affect that situation. We are very strongly opposed to the increased charges.

**Senator STOTT DESPOJA**—Do you think we should revisit that?

**Prof. Larkins**—We would like to revisit a number of aspects of the current proposals, as I have made clear; but I have also made clear that—

**Senator STOTT DESPOJA**—Obviously we have not debated or voted on these current proposals. That is why I am specifically interested in this. It went through in a regulatory form. We have voted on a disallowance motion and therefore I want to know if people will support us to go back and have another go.

**Prof. Larkins**—We would certainly support that as long as it did not put the overall package at prejudice.

**CHAIR**—Thank you all very much for appearing today.

**Proceedings suspended from 3.35 p.m. to 3.46 p.m.**

**ANDERSEN, Ms Emily Elizabeth, President, RMIT Student Union**

**BISHOP, Ms Kylie Robyn, Vice-President Postgraduate, Deakin University Student Association**

**THIND, Mrs Paramjeet, Vice-President Undergraduate, Deakin University Student Association**

**WILLIAMS, Mr Lachlan James, President, University of Melbourne Postgraduate Association**

**CHAIR**—Welcome. The subcommittee has before it submissions Nos 352, 308 and 437. Are there any changes you would like to make to the submissions?

**Ms Andersen**—There was a graph left off page 14 of our printed document.

**CHAIR**—Thank you. It will be incorporated in the document. The subcommittee prefers all evidence to be given in public although the subcommittee will also consider any request for all or part of your evidence to be given in camera. I point out that such evidence may subsequently be made public by order of the Senate. I now invite you each to make a brief opening statement.

**Ms Bishop**—Deakin University Student Association represents 30,000 students across a number of campuses in Melbourne, Geelong and Warrnambool, with 12,000 of that 30,000 being distance students. DUSA believes it is a right to receive education, including higher education, and that access to that education should be based on merit, not ability to pay. Therefore DUSA opposes the user-pays principles that this government is upholding in this bill. We also believe in equitable and free access to the highest quality of scholarships, teaching and research and we feel that this proposed legislation further jeopardises these principles. For example, between 1995 and 2001 student contributions have increased whereas government contributions have decreased. This legislation will seek a further increase of student contributions and increase the debt burden and the financial burden on students. According to Lang in 2003, which is in our submission, this so far has translated to a loss of 20 hours of tutorials and 10 hours of lectures, with further reductions possibly increasing that number. This is hardly a quality education. We are paying for this and we should be getting a quality education. As the cost further increases, what is going to happen to the quality we are paying for?

Further increases of the fees, including HECS, may force some talented but poor students, especially those from regional and rural backgrounds, out of higher education altogether. Already the HECS deferral rates are at 79 per cent. I grew up in the Western Districts of Victoria on a farm and I know personally that if HECS payments were any higher I would not have had the ability to go on to higher education. Although I had the merit, my family would not have had the money to pay for it. The average farm debt is a quarter of a million dollars, and I would say there are a lot of farmers out there who likewise would not have been able to afford to send their children to a rural and regional university—I study at the Warrnambool campus—let alone to a university in another city with having to add on the cost of relocating.

We also call on the Senate to reject the VSU legislation, as it negates the benefits of student organisations. While we believe that universities need to be adequately funded, this current proposal threatens the critical reflective roles of universities and therefore should be rejected. Thank you.

**Mr Williams**—There are three aspects to our submission that I would like to emphasise: the financial/equity aspects to the proposed changes, the governance changes, and the voluntary student unionism changes that are proposed. Taking the financial/equity aspects of the proposed changes first of all, we are very concerned about the introduction of real interest rates. A number of commentators have said that a real interest rate is excessive. We are very concerned about the introduction of a five-year learning entitlement. This would severely hamper students' ability to undertake second degrees. If they failed subjects, it would adversely affect them. Also, a five-year learning entitlement would seriously hamper undertaking postgraduate study.

In relation to a 30 per cent increase in HECS and an up to 50 per cent increase in full fee undergraduate places, if you look at the Melbourne University fee schedule for 2004, you will see that there are approximately 47 courses there which, on a full fee basis, would be in excess of \$50,000 in total. So that is of grave concern. We find it very difficult to see how these changes can be proposed as being equitable when there are 47 courses which, on a full fee paying basis, are potentially out of reach.

An interesting case in point in relation to the increase in fees, both on a HECS basis and a full fee paying basis, is the discipline of psychology. In order to practise psychology you need to do a BA, then an honours year and then a two-year master's as a basic entry-level qualification. If that were all on a full fee paying basis at the University of Melbourne it would cost you \$85,400. If you break it down so that it is on a partly full fee paying and partly HECS basis, you have got \$80,000 if it is full fees except for the honours year; \$60,500 if the undergraduate component is on a full fee paying basis but the honours and master's are on a HECS basis; and over \$50,000 if both the undergraduate and the honours components are on a HECS basis and the master's is full fee paying. So when it comes to even basic entry-level qualifications, when there is a postgraduate component we are very concerned that that will be out of reach of many young Australians.

We are very concerned about fewer HECS places at a postgraduate level. It is interesting to note that, in the Faculty of Economics and Commerce at the University of Melbourne, there are no HECS places for next year. The cost of postgraduate study is already a struggle. At the University of Melbourne, UMPA—which is the University of Melbourne Postgraduate Association—commissioned an ACER survey in 2001. Of approximately 1,600 responses, 24 per cent said affordability of their courses was either a real and continuing burden or they could not cope with the financial burden.

In relation to scholarships, we believe that 17,000 education-costs scholarships by 2007 is a token gesture. We are very concerned that they are going to be allocated on the basis of a university's equity profile. The University of Melbourne has the worst equity profile in the country. The University of Melbourne's equity plan for 2003-05 said, in relation to low socioeconomic status students under the age of 25, that they make up 11 per cent of enrolments versus a national indicator of 16 per cent. The University of Melbourne has a target to improve

low SES enrolments by 50 per cent by 2007, but already it is slipping behind in reaching that target. So that is of considerable concern as well.

In relation to debt aversion, it is interesting to note that the Department of Education, Science and Training's web site says:

Little is known of how families who may be averse to debt perceive the benefits of the Higher Education Contribution Scheme. Research in this area would be valuable.

It would be indeed. It is somewhat alarming that a package as radical as what is being proposed would be introduced without that sort of basic research being undertaken. It is interesting to note that in the UK that research has been done. For some 20 per cent of school leavers who decided not to go on to university or were undecided about going on, it was found that aversion to debt did influence their decisions, so there was an impact on their decisions, and that those students were most likely to be of a low SES background. There is quite a bit of anecdotal evidence that UMPA has on case studies of our own members that are in that position. We are also very concerned about the postgraduates' life choices that will be affected. Hastings and Stanfield have found that in New Zealand students who are burdened by debt put off having children, put off getting married, put off starting a business or buying a home, so that is of grave concern as well.

Moving to governance, it is interesting to note that Senator Tierney's Liberal colleague in the state parliament in Victoria, when debating the university act amendment bill—and he was talking about the University of Melbourne Council—said:

I must say that at the moment Melbourne University is extraordinarily well served by its student representative who is doing his second year; he is an outstanding contributor.

By the way, I am not talking about myself. It is of grave concern that, if the numbers on university councils are reduced, student representatives might be taken off them, although they are doing valuable work. In relation to voluntary student unionism, UMPA has 11,000 members. We provide extremely valuable services, such as academic advisory staff. We have a publishing centre and we fund postgraduate groups. We publish a number of journals and quarterly magazines and we operate an undergraduate centre. If voluntary student unionism were to come in, we would not be able to do that, and that would have a serious effect on student life on campus.

**CHAIR**—Thank you.

**Ms Andersen**—The RMIT Student Union believes that currently the university sector is in crisis. Resources are stretched and there is not enough funding going into universities. In our submission we have outlined, with examples from RMIT, how the decline in public funding has adversely affected the sector. This includes some student satisfaction survey results from RMIT. The RMIT Student Union fundamentally opposes the government's proposals, as we believe they further shift the burden of paying for education onto students away from the government. We believe they do not address the issues of underfunding, poor quality and inadequate resources and the barriers to access for equity groups that currently exist in the sector.

In our submission we have a strong equity focus. We believe that fees act as a barrier and as a deterrent for people wishing to attend university, particularly those from equity groups such as those from a lower socioeconomic group. Our research has shown that, particularly since the massive rises in HECS and differential HECS in 1996 and 1997, people from equity groups have been greatly under-represented in higher education, such as at RMIT. I have some statistics. Since 1996 we have seen a fall in participation of students from a low socioeconomic background at RMIT: 20.19 per cent of students at RMIT in 1996 were from a low SES background, and that has fallen to 18.02 per cent in 2001. This is compared to 25 per cent of the overall Australian population.

The effect of deregulated postgraduate coursework fees on access to equity groups at RMIT outlined in our submission is a prime example of what could happen if HECS is deregulated for undergraduate students. We are really concerned about the proposal to increase the number of domestic upfront full fee paying places. We believe that such places are completely unfair because they allow students to access education not on merit but on how much they can afford to pay.

We are concerned about the proposal to introduce voluntary student unionism, as this would greatly undermine our ability to represent students and to provide them with essential services and advocacy. We believe that all students benefit from student unions whether they recognise it or not, as we have student representatives on university committees and at most levels of university decision making. RMIT University acknowledges the work we do and the way in which we contribute to the university community.

We are also very much opposed to any measures that seek to remove students from university decision-making bodies such as the university council. We believe that students make a valuable contribution to university councils and bring a unique and important perspective with them to those bodies. The RMIT Student Union believes that education is of public benefit and holds great value for the entire community and as such should be publicly funded. Everyone in the community benefits from an educated community. We believe that education is a right and that tertiary education should be accessible for all. Based on this, we call on the Senate to reject the government's reform package and instead invest more public funds into the university sector.

**Senator CROSSIN**—Thank you very much for your submissions today and demonstration this morning, which I think some of us appreciated. Let me start by saying that we are now in about our ninth day of travelling around the country. We hear a lot of vice-chancellors who would agree with you that the sector is strapped for cash and an injection of funds is needed. We also hear vice-chancellors who are saying that we should not let this opportunity go by and that we should pass this legislation, but they have a list as long as your arm that they want to see changed with the legislation. If we asked you what amendments you thought we should consider, what would you suggest to us? Should we reject the package totally or amend it and, if we amend it, how could we amend it?

I notice that you have probably had some advice from the Liberal minister for miserly student allowances at the back of the room and the Liberal minister for student starvation might well have advised you. Who else have you got advising you there—your Liberal member for student exploitation, just to make sure they are on the *Hansard*. Given that you have had good advice,

should we reject the package outright or should we amend it, and how would you as students like to see it amended?

**Ms Bishop**—We would certainly suggest rejecting the package outright. Anything that further increases the debt and puts education further out of the reach of students from rural and regional and low socioeconomic backgrounds should not be accepted.

**Ms Andersen**—I agree. I think that the package is fundamentally flawed and it would take so much work to make it acceptable to students that it should just be rejected outright.

**Mr Williams**—I would have to agree. The package as presented is so flawed on so many fronts that they really just need to start over. Given that there is a massive budget surplus at the moment, why can't the federal government just put more money into higher education?

**Senator CROSSIN**—We have heard today and we have heard in other places around this country that there are universities that are not going to rule out taking up the opportunity of increasing HECS. In fact, some have already indicated that they are right there at the 30 per cent. Even today Monash University have indicated that one of the ways they are going to implement their equity measures—that is, encourage more students from regional areas like Warrnambool—might be to charge a greater HECS on courses for the metropolitan area. Ms Andersen, you are from Warrnambool?

**Ms Andersen**—No, I am from the city campus.

**Senator CROSSIN**—So how do you feel about the fact that someone like yourself in future might be paying an increased HECS to supplement someone from Warrnambool?

**Ms Andersen**—I think that is an unfair proposal.

**Senator CROSSIN**—What do you think would be a better proposal?

**Ms Andersen**—I think that if the government prioritised education funding, as Lachlan has pointed out, and put more public funding into education, proposals like the ones the government has come up with would not be necessary and universities would not find themselves in the position they are in and would not feel the need to increase student fees.

**Senator CROSSIN**—In relation to voluntary student unionism, we heard yesterday about an interesting aspect that I had not thought of before. We have got a lot of evidence about what VSU would do in terms of eroding services and the provision of services to students—this committee actually held an inquiry into that some years back. Mr Williams, this is a point you might want to consider: it was put to us yesterday that universities and the federal government actually promote services provided by student organisations when attracting international students to come here. So do you believe there is a degree of lack of genuineness and of hypocrisy in trying to abolish student unionism but not ensuring the services would continue beyond that legislation getting up?

**Mr Williams**—Absolutely. Universities would just have to radically alter their marketing materials, otherwise—

**Senator CROSSIN**—Do you believe they have got the funds to do that?

**Mr Williams**—I doubt it very much. I am convinced that if VSU came in our budget would be cut and student services would be cut, and life on campus would suffer.

**Ms Bishop**—It is not just life on campus. I am based at the Warrnambool campus of Deakin. We contribute to the community. We have our usual sporting teams in terms of football, but we hold an event at the start of the year for O week, when we get about 300 new students, that is called Grungestock. That gives the opportunity for a major headline band to come to the area that otherwise would not be there—but that is not really the point. When we hold that event we not only publicise it from the South Australian border through to Geelong, so we get students and non-students coming from a wide area into the Warrnambool community, having to stay there and bringing money into the community, but we also put money into the community when we run that event. We need to hire a tent to hold it in, we need to hire security and we need to hire fencing—and that all comes from the local community.

**Senator CROSSIN**—So you would put it to us that in regional campuses the contributions made to the student organisation actually have a flow-on effect to the wider community—is that right?

**Ms Bishop**—Most definitely, and it would have in some areas for metropolitan campuses as well.

**Senator CROSSIN**—Some people might argue that if the VSU legislation gets up then universities would just have commercial operations and you would have another user-pays situation: your coffee would be \$4.50 a cup instead of \$1.50 but, well, that's just life; that is what it is like outside universities. Is that a benefit of persuading us to look at this legislation, that you would be put on an even keel with the rest of the community, or are there hidden benefits in having student organisations run these services?

**Ms Andersen**—I think it is really important that when services are run by student organisations they are run by a board with students on that board controlling it and that those students make decisions—for instance, on how much things cost—based on their experience as a student. They know what students can afford. I think if services were simply taken away from student organisations and if people making those decisions were not students but commercial operations they would not be student friendly services.

**Senator CROSSIN**—Would most of those services remain commercially viable if they were not in the hands of students?

**Mr Williams**—I doubt it very much. I think you would find that you would just have a classic case of market failure. Take the provision of legal services or academic advisory services to students: to think that those services will be viable based purely a user-pays system is naive.

**Senator CROSSIN**—What are the elements that would not make it viable under a user-pays system? We had evidence yesterday that one would perhaps be the length of time that universities are open—for example, they operate in two large semester blocks, not as 52 weeks a year operations. Are there other aspects that would not make it commercially viable?



**Mr Williams**—Certainly I am aware of the University of Melbourne. We do have some smaller campuses. I know that the student body at some of those campuses is below critical mass and that if you want to provide student services of a particular standard they are just not a viable proposition. They are important services to provide.

**Senator CROSSIN**—Have you had a look at the impact that the learning entitlement would have, particularly in relation to postgraduates, on women or mature age students?

**Ms Bishop**—We have not looked into it in detail at Deakin, but I presume that it would have a very large impact. It does not seem to allow for anything like maternity leave or mature age students with children, who might develop sudden illnesses et cetera. So it could quite heavily impact those groups.

**Ms Andersen**—I agree. I think that the learning entitlement would disproportionately disadvantage people from equity groups such as the ones you have mentioned who experience difficulties while they are studying and either fail or need to take longer with their degree. I think they would be very disadvantaged by that.

**Senator STOTT DESPOJA**—I note that in a couple of your submissions, notably the RMIT submission, you have referred to the issue of cost shifting. It is something I am reasonably obsessed with at the moment, ever since Minister Nelson said publicly that students pay between 25 and 27 per cent towards the cost of their degree. In the charts that you have included, that is not true. Ms Andersen and Mr Williams, perhaps you could elaborate to begin with. Could you explain to the committee your estimates of what students are actually paying as a proportion of the cost of their degree?

**Ms Andersen**—The estimates included in our submission are a lot higher than Minister Nelson's.

**Senator STOTT DESPOJA**—Do you have any views as to how Minister Nelson arrived at his figure? I am presuming that he is including in that calculation up-front discounts to HECS and calculating research funding and other things. I am wondering if you have any views that you want to put on record in relation to that.

**Mr Williams**—I am puzzled about how Minister Nelson came up with that figure. I know that research that has come out of NUS has suggested that, in terms of the contribution that students make to higher education, Australia is something like the third highest in the OECD.

**Senator STOTT DESPOJA**—I read that in your submission, but I think it is in a couple of them. I am quite happy for you to take that on notice. It is in your submission and I can draw the attention of the other senators to the chart. Have you included the NUS figures or do you have specific RMIT calculations in that chart?

**Ms Andersen**—I believe that the figures that have been included are the NUS figures.

**Senator STOTT DESPOJA**—Are there any more specific institution based figures or calculations? No. Okay. Are you surprised that income support was left out of this package?

**Mr Williams**—It is alarming, considering that the government are effectively admitting that increasing HECS and deregulating fees at the undergraduate level is going to have an effect on equity outcomes, by virtue of the fact that they are offering a scholarships program. To not also include changes to the income support that is already provided is something that we have concerns about.

**Ms Andersen**—I think it is a huge oversight. It is one of the major issues for students who experience poverty and who cannot afford to get by. I think it is a major oversight.

**Senator STOTT DESPOJA**—What about consultation? This is a question to all the campuses or institutions that you are representing. Have you had an opportunity to talk to your vice-chancellors about the reforms? Ms Bishop, would you like to speak on behalf of Deakin?

**Ms Bishop**—We have had a limited opportunity, yes. We have not had an opportunity to discuss it in great detail with our vice-chancellor.

**Senator STOTT DESPOJA**—Are your views on this issue welcome? Do you think you might have some influence?

**Ms Bishop**—No, I do not think we would have any influence, given that it is a well-recognised fact that the university sectors are underfunded and need money to continue to survive.

**Senator STOTT DESPOJA**—Do you have some sympathy for that opinion? Some of you have been here today and have heard the vice-chancellors, as Senator Crossin was saying, explain the extensive problems with the legislation and then ask us to pass it, all because they are desperate for the money.

**Ms Bishop**—I certainly have great sympathy for that. I do not envy the senators on this committee one bit, because they need to weigh up the financial benefits of this system for universities against the equity and access issues for students.

**Senator STOTT DESPOJA**—So what is a good bottom line for a senator on a committee or voting on legislation? Is equity the bottom line?

**Ms Bishop**—Given that I am a student, it certainly is. We want a well-educated nation, and to do that we need to give everyone access to that education. Without that, we cannot possibly move ahead.

**Senator STOTT DESPOJA**—That sounds a lot more generous than simply a student perspective. You are actually suggesting there is a public good.

**Ms Bishop**—Yes, there certainly is.

**Senator STOTT DESPOJA**—Someone might go for that! Mr Williams, what about the postgraduate association? Are your views being taken on board by Professor Gilbert and the university council?

**Mr Williams**—I would not say that they have been taken on board. I have certainly had opportunities to express an opinion, but the university is pretty much looking at the dollars and, in effect, at leveraging its brand. That seems to be the main driver.

**Senator STOTT DESPOJA**—What about RMIT?

**Ms Andersen**—I have had quite a lot of consultation with our vice-chancellor over these reforms; she has made herself available to meet with me on these issues. The university also conducted a campus-wide forum into the reforms, which I was invited to speak at along with a staff member and other stakeholders within the university. The views from that have been gathered together and have gone to the academic board, where the issues were discussed, and will eventually go to the university council. I hope the university council do take our concerns on board when they make their decision.

**Senator STOTT DESPOJA**—Do you have a vote on the university council?

**Ms Andersen**—Yes, I am on the university council.

**Senator STOTT DESPOJA**—Are you prepared to take questions on notice?

**Ms Andersen**—Yes.

**Senator STOTT DESPOJA**—Chair, I might leave it there. Ms Andersen, I might put on notice some more detailed questions in relation to your recommendations on income support changes which have not necessarily been expanded on in your submission.

**CHAIR**—Thank you very much for coming today. We appreciate your advice.

[4.21 p.m.]

**NORTON, Mr Andrew John, Research Fellow, Centre for Independent Studies**

**CHAIR**—Welcome. The subcommittee has before it submission No. 214. Are there any changes that you would like to make?

**Mr Norton**—There are some, but I think they would emerge in more context in my opening statement, so I will reserve them until then.

**CHAIR**—The subcommittee prefers all evidence to be given in public, although the subcommittee will also consider any request for all or part of your evidence to be given in camera. However, I point out that such evidence may subsequently be made public by order of the Senate. I now invite you to make a brief opening statement.

**Mr Norton**—As the senators may be aware, over a number of years I have been making arguments for the reform of the higher education financing system. I have been pursuing two main lines of argument. One is that there needs to be better financial incentives for the universities to focus on the quality of undergraduate education. At the moment, they are effectively guaranteed student numbers, and they get the same amount regardless of how good a job they do. I believe there need to be financial incentives for performance. The other line of argument has been that we need a better mechanism of allocating resources to students. At the moment, the major factor that drives resource allocation is the Commonwealth budgetary position, which flows through in grants to universities, rather than what any given student might think he or she should invest or what the university thinks it is worth investing.

The Nelson reforms were always a mixed bag in this respect. There are a number of features which I support. I am in favour of the flexibility on student contribution amounts under HECS-HELP, I am in favour of the loans being extended to the full fee payers and I am in favour of loans going to the fee paying students currently at private higher education institutions. However, there were downsides still evident in May, when the package was released. The one that I focused on in my submission was the tightening of the quota system. Originally it was going to be that universities had to stay within two per cent of their target. It is now five per cent, which is still a very tight amount. And universities have to try to enrol students to 12 funding clusters, as per their funding agreement. This obviously greatly reduces the university's flexibility to enrol HECS-HELP students. There were also a range of other micromanagement proposals evident in the May statement, most of which I did not think, on balance, were worth having—the one exception being the requirement on universities to provide more information about their performance.

At the conclusion of the submission I suggested that, on balance, it should be passed with a few modifications—that it was a net benefit. Having seen the legislation—but, of course, not yet most of the guidelines—I need to revise that conclusion. I think it needs fairly substantial amendment before the benefits can be realised. In particular, I am concerned about the very high level of discretion over student contribution amounts and the number of full-fee-paying students, and the capacity of the minister to control the amount of fee help that is available to any given

course or any given university. I am also concerned that there are a number of additional micromanagement things that are in the final legislation that I was not aware of: the potential for control of student selection, scholarship allocation and also the power of the minister to pick and choose courses that he or she would fund. And while I do not really doubt there may be courses that are not a fantastic use of public money, I do not really think the minister making a political decision over this is the best way to go. That concludes my statement.

**CHAIR**—Thank you very much, Mr Norton. We have waited for a long time for you and I to agree on anything—

**Mr Norton**—It has been a long time.

**CHAIR**—This might be the day. You were formerly Dr Kemp's adviser, were you not?

**Mr Norton**—That is correct.

**CHAIR**—Dr Kemp made an effort to secure substantial reform, to his likes—

**Mr Norton**—That is correct.

**CHAIR**—in a cabinet submission in 1999, which was leaked. I do not want to deal with the detail, as such, because I want to come to that in a minute, but do you see any similarities between the intention and principles of this legislation and that original Kemp submission? Do you think there is any continuity between those two positions?

**Mr Norton**—Superficially there is in that they both allow universities scope to set their own fees, but actually I think there is a different philosophy underlying them. The Kemp philosophy was very much to essentially leave things to the market—that universities could decide how they would organise themselves, what courses they would offer and students would have a very high level of choice over what they did. There were very few attempts to micromanage the universities in that package, so I think there is a different underlying philosophy, despite some policy similarities.

**CHAIR**—Clearly you would say that, in terms of the implementation, there is a substantive difference, and I would concur with your judgment about the micromanagement attempted in this legislation. Were you shocked by that?

**Mr Norton**—I was surprised.

**CHAIR**—Have you worked out who leaked your submission in 1999?

**Mr Norton**—I have an idea, but I am not going to repeat it here.

**CHAIR**—So you cannot confirm that it was within the industry department?

**Mr Norton**—I am not going to confirm or deny anything on this.

**CHAIR**—I just thought I would help you out a little there! From the criticisms that have now been made by a number of G8 universities, I think it would be fair to say that they are surprised by the challenge that is proposed in this legislation to their autonomy. Is it your contention that this legislation as it currently is should not pass?

**Mr Norton**—Yes.

**CHAIR**—Are you concerned that a reasonable reading of this legislation could lead a minister of the future, if not this one, to have unparalleled powers?

**Mr Norton**—That is my major concern about it. It is not that the dangers are immediately evident in a lot of areas; it is just that the huge scope for ministerial discretion means that the dangers could become evident in the future. I think legislation should be designed for the worst-case possibility, and I do not think that this legislation does that.

**CHAIR**—From your point of view, you may well have a left-wing minister in the future who could take an entirely different view from a right-wing minister under a Tory government. Nonetheless, there would be enormous power here, wouldn't you agree—

**Mr Norton**—Absolutely.

**CHAIR**—for an individual minister to reshape the system to his or her likes?

**Mr Norton**—In many ways I think it resembles a schools policy, with the idea that the minister has substantial authority over what is done in the classroom.

**CHAIR**—That is exactly right. I said to you that this might be the day when we agree on something, and I think the interpretation you have reached is one similar to mine. I might well take the view—and I know many of my political persuasion would—that there needs to be a national university system and there needs to be national accountability and there needs to be responsiveness to a whole range of things, but this is too much to stomach in terms of the capacity of any individual minister to pick and choose right down to the tutorial room. Where do think it fits in terms of states rights?

**Mr Norton**—It tries to exclude the role of the states in higher education. It is going to things like governance, which has always been the role of the states. In the broader policy sense that may not be a major criticism of it, but, given that the higher education funding system has been Commonwealth funded for a generation, it could be a criticism.

**CHAIR**—Mr Norton, I think that we could agree that the states could do more in regard to the amount of the contributions they make in terms of the administrative arrangements, but we would also have to agree that, constitutionally, all the acts of parliament relating to higher education—with the exception of the ANU Act and the AMC Act—are state acts and that the line of reporting is constitutionally through to the states. Surely this proposed bill flies in the face of that constitutional requirement as it stands at the moment.

**Mr Norton**—Indeed, I think you could put a question mark over the existing Higher Education Funding Act in terms of its constitutional validity as well. But, as you would be

aware, the only specific head of power is the ‘benefits to the student’ power, which is a phrase that appears very regularly in the legislation.

**CHAIR**—Yes, that is right, but equally, the HEF Act is by agreement. People might not like particular decisions from time to time but, in essence, a transfer of power can occur between the states and the Commonwealth either by agreement or by a referendum. There is no agreement and there is certainly no referendum on this. Would you agree with that assessment?

**Mr Norton**—I would agree, yes.

**Senator TIERNEY**—With your work in government and now with an independent think tank, I would like to get your assessment on the resourcing difficulties of universities. It goes back to the rapid expansion in the late fifties. Universities are always racing to catch up as the student body and research expands and trying to find the funding to do that. We have this package. I suppose you have had a look at the Labor Party’s package, Aiming Higher. Of course, the other alternative is the status quo if nothing gets through. In terms of this resourcing problem we have always had, what way forward out of those three alternatives do you think might deliver better resourcing to universities?

**Mr Norton**—Under a Liberal minister the government’s package will undoubtedly deliver more dollars but, as I was pointing out in response to Senator Carr, the danger is that a subsequent minister could, by guidelines, reduce that flow again.

**Senator TIERNEY**—The big danger is if we elect a Labor government again.

**Mr Norton**—Indeed, I agree, but it will happen.

**CHAIR**—That is right, Mr Norton. You are dead right about that—again.

**Senator CROSSIN**—Have you have found a new friend?

**CHAIR**—We might sign you up in the SL yet, you know!

**Senator CROSSIN**—Are you that desperate for numbers in Victoria?

**Senator TIERNEY**—I am surprised that the Labor package was released in such detail so early; it is very unusual for Labor to do that. Having done it, it gives us a good chance to analyse the alternative, which, in terms of funding, really does not deliver a great deal. It cuts off a lot of options and then claims it will index. But indexation, unless they retrospectively do it—which I doubt—would only maintain real value of funds exactly as they are now. Just from your experience in government and having looked at what happened in opposition, what confidence could we ever have, given the 13 years of Labor control of this area, that you would even get that very basic requirement for indexation as they claim?

**Mr Norton**—That is the structural fault in the current system, which the ALP policy essentially preserves: it is always vulnerable to cutbacks in government expenditure. The real source of funding constraint over the last half-decade and a bit has been the decision in 1995 by the Keating government not to index at the same rate as it had in the past. Its actual funding cuts

in 1996 were to student load, particularly postgrad, so, at least in principle, costs either went down or they could replace them with fee payers. The real killer has been the indexation, and of course indexation can be changed budget to budget.

**Senator TIERNEY**—That is exactly right: when they get a bit of pressure somewhere else. The other aspect of the package that I suppose is taking centre stage more than it should, given the minimalist nature of it, is the IR reforms. I am not sure if you saw the editorial in the *Australian* last week that said we should have AWAs right across the whole sector. Of course, this does not advocate that; it is just about forming AWAs if staff want to access them. Given that it is such a minimalist change to a system that is highly controlled at the moment, why do you think there is such angst? We have staff claiming that they would go on strike over this. Being a Victorian you might not have read the *Sydney Morning Herald* editorial this morning, but it points out that Australian workplace agreements have been part of the industrial relations scene since the Keating Labor government—I think they began in 1994. According to the editorial, there is not much difference between what the government wants to impose and already accepted practice in the rest of the economy. Why is there such angst about this and why is it such a major problem just to allow staff to access it if they want to?

**Mr Norton**—Unlike the NTU, I have no ideological objection to AWAs being offered, but this goes to my general non-interventionist philosophy that it is really up to the universities and their staff to resolve the appropriate agreement at the workplace level. So, while I think there are a number of aspects of the list of things in the workplace requirements that might be a good idea, I really think it is up to the individual universities to assess whether this is right for them. A lot of them fear the disputes that AWAs will cause amongst staff or that they could disrupt collegiality, which they regard highly on their list of values. I think there are also practical concerns. It is actually much easier to have collective agreements than it is to go to the individual level, except for with a few senior staff. That is not the kind of objection the NTU is raising but it is an objection to it.

**Senator TIERNEY**—They do claim they have enterprise bargaining, which should mean that it is done university to university. Wouldn't you agree that we do not have that but we have a sort of pattern bargaining system? We are the pacesetter of the patterns.

**Mr Norton**—There is pattern bargaining going on but there is some variation, too, between universities. Not everyone gets the same rate of pay.

**Senator CROSSIN**—So do you agree with Professor Gilbert that perhaps it is not worth the money?

**Mr Norton**—I think that would be a fair assessment. It particularly may not be worth the money for those universities that have the capacity to raise the money through student fees.

**Senator TIERNEY**—Could I just question that? If it is only a minimalist change and—

**Mr Norton**—It is not just the AWAs; there are about 13 things on that list.



**Senator TIERNEY**—But that is standard with other enterprises. What is being put forward here is what is happening in the rest of the economy. That is why those conditions are put in there: it is just what happens normally.

**Mr Norton**—But universities also have different cultures. It is not quite a normal enterprise; there are different values at work.

**Senator TIERNEY**—Do you really think that that overrides the need for the staff to change? That is all this really is.

**Mr Norton**—There has been change going on. I do not think it is entirely stagnant. If universities have the appropriate market pressures on them, I think they will, over time, change themselves to suit that.

**Senator TIERNEY**—Would you see some freeing up of the IR system in universities as one of the possible mainsprings to actual renewal of universities to be able to put a bit more of a dynamic into the whole way a university operates?

**Mr Norton**—I think it would be better if redundancy was not quite the multimonth or multiyear exercise costing many hundreds of thousands of dollars that it often is in universities. This would enable them to switch resources and be dynamic much more effectively than they can now.

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

**Senator STOTT DESPOJA**—I ask this at the risk of ruining this love-in—it has been very good. I do not want to ruin this run of questioning!

**CHAIR**—That is right. You have shocked us, Mr Norton, and silenced the committee, which is quite an achievement.

**Senator STOTT DESPOJA**—You can take this on notice if you like. You make a number of assumptions and assertions, some of which are obviously based on evidence in your paper, about participation rates of lower socioeconomic students tracing it back to the Whitlam era and beyond. I am more interested in the fact that there seems to be a lack of government funded independent research available. It is something that a number of witnesses have mentioned or criticised. Do you have a recommendation for the committee as to what the government's role is in providing some of that analysis, particularly participation of those groups to which you refer?

**Mr Norton**—I think there needs to be masses more research into who goes to university, how they do when they are there and how they do in the period after graduation. It is very hard to advise young people simply because you do not know what previous cohorts have done. You only have the most crude statistics, so I think a big panel study which tells us who goes and why would be fantastic.

**Senator STOTT DESPOJA**—And who should provide that? Is that a federal government responsibility to fund that?

**Mr Norton**—It probably should be—

**Senator STOTT DESPOJA**—At the risk of disagreeing, are we looking at NBEET?

**Mr Norton**—but it should not be done by NBEET. It should be contracted out to Melbourne Institute or a place like that.

**Senator STOTT DESPOJA**—We half agreed.

**CHAIR**—Thank you. Judging by the applause from members of the public, this will be a sorry day for Dr Nelson!

**Subcommittee adjourned at 4.41 p.m.**