

AV-CC

## Australian Vice-Chancellors' Committee

(ACN 008 502 930)

Mr Roderick West  
Chair, Higher Education Review  
Location Code 728  
GPO Box 9880  
CANBERRA ACT 2601

12 January, 1998

Dear Mr West

I attach a further Submission from the Australian Vice-Chancellors' Committee (AVCC) in response to your Committee's Discussion Paper.

Rather than address the various observations, conclusions and options individually, the AVCC has chosen to focus its Submission on three broad areas:

(1) The Nature and Value of a University

While the opening sections of the Discussion Paper contain several observations and statements of value with which the AVCC would agree, the Committee considers that, read as a whole, the Discussion Paper does not adequately portray the essential nature of universities, and their value to society. The first part of our Submission therefore provides a statement on the nature and value of a university which the AVCC recommends the committee might like to consider adopting.

(2) Principles and Key Features of Funding Arrangements

In the current climate, this clearly must be at the heart of any report to government. This section outlines some considerations which should underlie funding arrangements to protect and enhance the values set out in the first part of our Submission. It includes a suggestion for trialing a model of student-centred funding using additional funds, if this is the only way the government is prepared to invest further in universities. I should say that some AVCC members do not agree with this suggestion although there is good support for it generally by members.

(3) Student Access and Support

This section highlights the need to ensure equitable student access to a reformed system, including in relation to living support, an area not dealt with in the Discussion Paper, a shortcoming which should be remedied in the final Report.

In relation to matters not raised in this response, you should assume the AVCC maintains the position it set out in its original Submission.

We would welcome the opportunity to expand upon our Submission in discussion with the Committee as you develop your Report.

Yours sincerely

John Niland  
President

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# AVCC RESPONSE TO 'LEARNING FOR LIFE'

## (1) The nature and value of a university

A report to government on university financing and policy should, in the view of the Australian Vice-Chancellors' Committee (AVCC), reach a conclusion on the purpose, distinctive nature and value of universities, as a prelude to any specific recommendations. The AVCC proposes the following statement.

Universities:

- discover, preserve, refine, apply and disseminate knowledge;
- have a commitment to free inquiry and to being a critic and conscience of society;
- develop intellectual independence in their graduates, together with a set of cognitive and social capacities which support active participation of graduates in society;
- have staff whose active engagement in scholarship and research both enriches the nation in itself, and ensures that students at both the undergraduate and postgraduate level learn from those at the forefront of knowledge, whether theoretical or applied;
- are committed to making the best possible use of the emerging technologies to ensure Australia provides high quality education to its domestic and international students wherever they are located; and
- meet international standards of teaching, research and scholarship.

Universities are distinctive from other education providers in their overall effort in that:

- their educational processes equip the graduate with the learning skills to be effective in life-long learning in the discipline learned, or another discipline;
- they focus on both general education and the training of professionals at both the undergraduate and postgraduate level; in all cases preparing university graduates in the major disciplines to function at a professional level in that discipline;
- they prepare people for the uncertainties of the future by developing the capacity, the will and the confidence both to respond in an informed way and, if necessary, adapt to, and
- embrace, new knowledge; thus preparing people for the challenges of the future;
- 'higher' education in a university is more than just the mastery of a specific body of knowledge or skills; students in universities learn to search out facts and interpret them not just receive and repeat them;
- in universities students learn to be intellectually curious because they learn from staff who are charged not only with the responsibility of disseminating knowledge but also of creating new knowledge and re-interpreting current understanding; and
- universities possess an active culture of scholarship and research that helps to develop the curiosity of their students.

Universities are of critical value to a nation:

- The international standing of a nation is critically influenced by the quality and reputation of its universities. The teaching and research performance of its universities have played a more than incidental role in Australia's current high international reputation.
- Universities have been at the forefront of the internationalisation of Australia, both through providing Australian students with an international perspective and through the presence of international students in Australia.
- The education sector overall has become over the last decade the sixth largest source of Australian exports, just behind wheat and iron ore and ahead of alumina, wool and beef. Education exports for 1996/97 have been estimated by the Australian Bureau of Statistics at \$3.04b with the higher education contributing \$1.4b (47% of the total) comprising \$654m in fees and \$770m on goods and services. Total overseas student enrolments at universities in 1997 were 62,974 (DEETYA statistics).
- Universities train the teachers, doctors, nurses and other professionals on whom national prosperity and well-being depend.
- Universities are the principal source of trained researchers, scientists and engineers, without whom Australia will not be able to take advantage of international technology transfer or the flow of technological innovation, information and scientific personnel.
- Universities are major contributors to the national research effort through research training and the conduct of fundamental and applied research. In 1994-95, the higher education sector contributed 78 % to expenditure on pure basic research and was the major contributor to this activity. In the same year, 25% of Gross Expenditure on Research and Development (GERD) in Australia was expended in higher education (ABS statistics).
- Universities provide a repository of social, cultural and intellectual capital for the community at large, which not only provides a national public benefit as well as the private benefits individuals obtain, but also allows Australia to continue to make its contribution to international discourse in science, technology, and the humanities. It will only retain its credibility in this context if it continues to have a strong research base, supported by world class infrastructure.

In summary, Australian universities represent enormous value for the nation. They are not in crisis, just at yet another set of crossroads.

## **(2) Principles and Key Features of Funding Arrangements**

### **Higher levels of investment**

- Governments have been running down their level of support for universities. This must be reversed; in fact universities need higher levels of investment to enable them to maintain or enhance world class facilities and equipment for teaching and research;
- Australia is currently attempting to provide university education 'on the cheap'. While in the short-term this may have indiscernible effects, in the long term it threatens the quality of the education we can provide to our citizens. Recent international benchmarking by JM Consulting conducted for the UK Dearing Inquiry found that Australian university cost structures were the lowest of those of universities in comparable countries (UK, USA, Germany), and were generally as low as a third of the cost in the highest cost country. It is highly unlikely this is entirely due to superior efficiency; a significant proportion of the difference must be attributable to under-funding.

- Although the Australian system is therefore cost efficient compared to universities in other countries, it remains more likely the Government and other funders would be prepared not to reduce resources further, and preferably provide additional resources, only if the current funding system were modified to contain additional elements which rewarded good performance and responsiveness to demand, while protecting its core values.

### **Funding for Teaching and Learning**

- Change should be evolutionary not revolutionary. The assumption that a strongly student-centred funding model will overcome the deficiencies in the system lacks evidence and needs testing. Contrary to some assertions, funding based entirely on market demand is not guaranteed to bring about more diversity. In any event changes that led to the development of extreme differences in standards would not be in the interests of the system as a whole.
- Short-term student demand should not be the sole determinant of the direction of a university; also to be taken into account are the needs of employers, the professions and more generally the national interest in a vigorous and diverse system. In recognition of these diverse requirements, universities favour a pluralistic approach to funding which recognises the varied purposes of university work.
- For example, Australia needs to retain a reservoir of knowledge and expertise in a range of disciplines which in the short-term may seem unfashionable. Over-reliance on the market may see a diminution of interest and activity in disciplines such as physics, mathematics, or community health, as well as core humanities subjects. At the extreme only popular, subjects such as law and business studies might be viable in the immediately foreseeable future under such a model. But what of the future beyond that?
- Nevertheless, responsiveness to student demand has its place among the criteria for a good university system. If the government decided that the only condition under which additional funding will be provided is if a part of those funds is provided directly to students, it should trial it first, to enable a proper assessment of the outcomes of this method of funding. This would test the principle and practicalities of such a mechanism but in a controlled way and a way that would not create instability in the sector. Moreover, such a system should never be the sole or even the principal source of funding for the teaching-related activities of universities.
- Any such trial should be subject to the following caveats: - the funding should be on top of existing funds; it should represent only a relatively small proportion of total funds; a proportion of the funding should be available only at non-metropolitan campuses; income contingent loans via HECS should remain the basis by which students contribute to the cost of publicly funded places; and any arrangement should not involve additional layers of bureaucracy.
- A possible arrangement, put forward as an example for further discussion, might work as follows:
  - an additional pool of funds would be dedicated to providing a fixed number of national education awards (perhaps called Commonwealth Scholarships) for use by permanent Australian citizens and residents at any Australian institution registered (see below) to provide higher education courses; some would be redeemable only at non-metropolitan campuses;
  - to win a Scholarship, students would need to apply to the relevant admissions body that ranks all applicants on merit (with rankings calibrated between States);
  - once students have gained a place the funds would be paid direct to the registered institution of the student's choice; the amount of the award being no less than the maximum HECS amount payable by students, and preferably a higher amount;
  - students receiving Scholarships would be liable for HECS according to the particular course; and
  - whether such awards should be available only for undergraduate courses, or both undergraduate and postgraduate coursework awards, would need to be discussed further; similarly, the duration of the award (eg course plus 6 months for undergraduates or course plus one year for postgraduates) would also need to be discussed.

- Institutions should be allowed to vary fees within the limits set by the Government; the extent to which students would need to pay the difference, or could have their HECS liability subsidised by the university, would be between the university and the student.
- Over time, income contingent loan arrangements, to the limit of HECS, should also be made available to Australian students paying full undergraduate fees in public or private universities.
- In the event that the government decided that the Commonwealth Scholarships were to be redeemable, or HECS should be available at new public or private institutions not currently eligible for HECS, such bodies should be required to apply to the Federal Government for national registration which would include examination of the quality, breadth and scale of their offerings, staff, facilities and assessment of their financial viability. Higher education courses offered by non-universities (eg TAFE) would also need to have such courses registered for the same purposes.
- Additional university-based funding should be targeted to enhancing the quality of teaching facilities, equipment and other infrastructure.
- As suggested in the Discussion Paper, private investment in support of universities' teaching functions should be encouraged through the provision of tax deductions:
  - such investment could include scholarships, cadetships, sponsoring programs or chairs, and providing equipment for teaching; and
  - industry demand for specialised courses is likely to increase; tax deductibility would be of mutual benefit to universities and industry.

### **Funding for Research**

- Current funding arrangements:
  - are not able to provide universities with sufficient flexibility to pursue their strategic priorities based on their academic strengths;
  - emphasise competitive grants many of which not sufficiently large to undertake research in many areas in a properly resourced way;
  - despite requiring a great deal of institutional effort and support in the application process, have resulted in declining success rates for grants (the rate for ARC grants has declined from 23% to 20% in two years); and
  - are unable to cope adequately with infrastructure requirements (research infrastructure funding including the Research Quantum will be reduced in 1999 by 4% over 1998 and in 2000 by a further 16%).
- Australia lacks a cohesive strategy for improving interaction between universities, other research providers and industry. The Mortimer Report called for a whole-of-government program to support industrial development and investment. The Government's Industry Statement launched by the Prime Minister on 8 December 1997 is a welcome first step in this direction.
- If Australia is to remain a respected player in the global environment, it needs to build on its comparative research strengths and set priorities for the future. Universities need the capacity to pursue the different modes of research (through individuals, teams, partnerships with industry, technology parks, CRCs, technology transfer companies) and different types of research (basic through to applied) according to their mission and strategic direction.

- Four measures would assist in achieving this:
  1. providing more of the existing funding as block grants (eg a proportion of ARC Large Grant funding as well as the existing Small Grant funding) for research in universities to enable them to pursue their strategic priorities based on areas of excellence and academic strengths at each university;
  2. an increase in the Research Quantum, currently at only 4.5% of the operating grant; provided that any increase is sourced from new funds rather than by a transfer of existing operating grants to the Quantum;
  3. maintenance of the Research Infrastructure Block Grant at current levels; and
  4. strategic focusing of the remaining competitive grant funds based on the national research effort, in particular areas related to Australia's long term comparative advantage.
- Whatever funding model is selected it needs to be sufficiently dynamic so that money flowing to particular universities can change over time based on performance or outcomes achieved with the funding.
- The Australian Research Council would need to be reconstituted so that it could give more prominence to defining future national research priorities and spend less of its time with project grant allocations. Up until now it has been successful in identifying structural priorities (for example, the need to support young researchers) but less so with thematic priorities. Its membership would need to reflect the stakeholders better, including industry and the research community.
- Universities are experiencing considerable problems in the provision of infrastructure for their research and research training activities. Over the decade, there has been an increase in the number of targeted schemes that fund the marginal costs of projects. This trend, together with a variety of other pressures on university budgets, has contributed to the serious run-down in discretionary research funding and particularly research infrastructure support in universities.
- It is therefore suggested that Research Infrastructure Block Grant should not be tagged to particular project grants but provided to universities to enable them to direct research infrastructure funds to their internal research areas of high priority.
- Universities would continue to be accountable for all funding provided by the Government and outcomes of the research identified. The ARC would need to review the areas of research to ensure that Australia is covering a broad range of research activities appropriate to its future development.
- The AVCC rejects the notion of student-centred funding for postgraduate research students because it is inconsistent with universities concentrating on developing, maintaining and enhancing areas of academic strengths; in any event the administrative costs would be prohibitive. It is also not considered feasible to rank all postgraduate research students (26,875 in 1997) on a national scale.

### **(3) Student Access**

- Eligible students should not be denied the opportunity of choice in higher education through Requisites in their social or economic circumstances.
- Maintenance and where possible enhancement of student support schemes is essential to facilitate access to higher education for all those Australian students who can benefit from it.
- Therefore, actions that could lead to disincentives for students entering higher education need to be carefully monitored by the Government. Such potential critical disincentives include unfavourable changes to Austudy (within the framework of the common Youth Allowance), Abstudy and HECS. Specifically:

- Austudy for full-time students should continue to be increased in line with the cost of living increases;
- loans for genuinely needy students should be reinstated;
- the age of independence for Austudy eligibility should revert from 25 to 21 years;
- changes to Abstudy (Away from Base Assistance, limit on Incidentals Allowances, Means Testing and limit to the number of courses for which Abstudy may be received by an individual) need careful monitoring;
- the lowering of the threshold for repayment and the increase in the levels of repayment for HECS should be reviewed, given recent downward application trends;
- merit based equity scholarships should be increased further; and
- as earlier recommended, income contingent loans to the level of HECS should be available to all first-time Australian undergraduates at registered institutions.

## **Conclusion**

This response to 'Learning for Life' does not address all the issues set out in the Committee's Discussion Paper, nor all the matters raised in the AVCC's original Submission (which stands as a statement of AVCC opinion). What it does is draw to the Committee's attention matters critical to the future of universities, on which the AVCC believes the Committee should focus its attention as it develops its final report to the Federal Government.

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