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**SENATE INQUIRY INTO UNIVERSITY FUNDING AND REGULATORY CHANGES  
UNDER PROPOSED LEGISLATION**

**A SUBMISSION FROM THE QUEENSLAND STATE GOVERNMENT**

August 2003

### *Context Statement*

This Queensland Government submission has been prepared in response to an invitation to the Honourable Anna Bligh, Queensland Minister for Education, and other Queensland ministers from the Chair Higher Education Funding Sub-committee of the Senate Employment Workplace Relations and Education references committee considering legislation, expected to be introduced in the Spring sittings, relating to higher education funding arrangements and certain regulatory matters. It follows the Commonwealth Government's announcement of a package of higher education reforms as part of the 2003-2004 Commonwealth budget entitled, *Our Universities - Backing Australia's Future*.

Although the broad intentions of the reform package have been announced, this submission has been prepared without knowing the specific content of the Commonwealth legislation or the details it will contain. The invitation to lodge a submission follows a meeting of the Ministerial Council for Education, Employment, Training and Youth Affairs (MCEETYA) at which all governments agreed to work with the Commonwealth:

- on national governance protocols to develop best practice in university governance arrangements;
- on a mechanism to distribute new university places;
- to further streamline university reporting and compliance arrangements, including developing a common approach to regulatory arrangements relating to commercial powers of universities; and
- to promote collaboration between higher education sector and business/industry and other education sectors, including national arrangements for articulation and credit transfer between higher education and vocational education and training.

In the absence of knowing the explicit details and complexity of the legislation on which the inquiry is focused, this Queensland Government submission addresses a number of key themes and issues as they are expected to impact on higher education in this State. Further, the submission should be considered in the broader context of the Queensland Government's willingness to support the MCEETYA resolutions (as above) and be actively engaged in the multi-government collaboration required to shape the outcomes anticipated by the proposed Commonwealth reforms.

## *Summary of Recommendations*

In its consideration of the Commonwealth Government's higher education package, the Queensland Government invites the Committee to consider and adopt the following recommendations in its advice to the Senate:

### Allocation of subsidised places

#### Recommendation 1 (pp4)

That in determining allocations of new Commonwealth subsidised places to universities, a guiding principle should be recognition that prospective students should have equality of opportunity regardless of location. National measures of population growth, national higher education participation rates (assessed against the Commonwealth-subsidised pool) and a concern to protect opportunities for the school leaver age cohort should inform this process.

### Evaluation of reforms

#### Recommendation 2 (pp5)

That the Senate recognise as a priority the need to establish a capacity within the sector for the provision of independent and contestable evaluation of the impact of the reforms.

### Regional loadings

#### Recommendation 3 (pp7)

That the process of determining regional loadings for universities be amended to embrace the full Commonwealth-funded load for regional campuses not just the on-campus component.

### Governance

#### Recommendation 4 (pp12)

That the Senate recognise that attempts to tie funding to the implementation of institutional governance and industrial relations reforms are counterproductive. Issues such as the size and composition of University Councils should not mask the need for Commonwealth/State dialogue on the roles and responsibilities of Councils and the diverse ways in which they can add value to the life of universities.

### Scholarship provision

#### Recommendation 5 (pp14)

That, given the increasing costs of participation to prospective students implied by the Commonwealth package, the provision of tuition and accommodation scholarships is inadequate in terms of scale and value and requires major enhancement. A comprehensive review of student income and accommodation support measures is needed.

### International education

#### Recommendation 6 (pp16)

That the Senate reject the imposition of a new fee regime on international education providers where the greatest costs resulting from the proposals fall on universities that are already the subject of vigorous, external quality assurance processes.

### *Overarching Queensland Position*

The Queensland Government acknowledges the important debate on higher education generated by the national review and the package of subsequent reforms for the sector announced in the 2003 Federal Budget. The review processes employed by the Commonwealth in 2002 were widely consultative and helped to provide an important national focus on the future shape and resourcing of the higher education sector in this country. By any measure, this national debate and the consequent set of proposed reforms represent a defining moment for the sector in Australia.

The Queensland Government also recognises the merits of several elements of the proposed reforms to the sector including the following:

- acknowledgement by the Commonwealth that Australian universities are under-funded;
- the provision of supplementary funding to regional universities, as reflected in the regional loadings, in recognition of the unique role and pressures facing these institutions;
- the recognition of national priority areas for the country and the associated support measures for identified priority areas; and
- the renewed focus on the quality of teaching and learning in Australian higher education.

However, the general merits of these initiatives should not mask the concerns of the Queensland Government on a range of matters that have been addressed through the body of this submission and go to the heart of the principles which underpin the operations of Australia's higher education sector. A summary of the major themes on which the submission comments are:

- that the principal objective for the sector should be to achieve equality of opportunity to publicly subsidised higher education places regardless of location. In effect, the degree of difficulty for Australians seeking to enter higher education should be no different wherever they live. This objective should be informed by national measures of population growth in relevant age cohorts, current and projected future participation rates across the nation and measures of unmet demand;
- a concern for the imposition of much greater costs on students and their families which are a consequence of the package and the disproportionate and negative impact this will have particularly on Queensland's more decentralised population;
- that the package fails to provide sufficient scholarships and other support funding programs to compensate for the additional cost burden to be borne by students and their families through higher course fees and charges;
- that school leavers' direct access to higher education may be prejudiced by the package as currently conceived;
- the need for consultation between the Commonwealth and States and Territories on the specific processes associated with implementing policy on "National Priorities" and "Regional Loadings" and on a range of other policy issues including cross-sectoral pathways; and
- that the Commonwealth's attempts to intervene on governance and industrial relations practices in higher education through contingent funding proposals is ill-conceived and counterproductive.

The Commonwealth Government's commitment and performance as the major source of public funds to the higher education sector is generally not subject to sufficient independent public scrutiny or accountability. Moreover with the context of the proposed reforms there are no explicit measures for the on-going monitoring and evaluation of the new proposals as implementation proceeds. Such monitoring and evaluation measures are essential to inform implementation and to provide information to policy-makers, Governments, consumers of higher education services and the sector itself on the success or otherwise of the reforms. In the absence of any formal mechanism for the provision of independent policy advice to the Commonwealth on higher education and given the sweeping nature of the reforms, it is essential that an independent and external research and evaluation program on the proposals is developed. This program should be comprehensive, have formative and summative features, and provide regular reports to the Commonwealth, States and Territories on key implementation and policy issues. It should also embrace the need for flexibility, from the Commonwealth in particular, in responding to the outcomes of the on-going research and evaluation program.

In particular, whereas it is clear under this reform package that access to higher education will increasingly be determined by a student's ability to pay, it is essential that independent and contestable evaluations examine the impact of the reforms on students and their families particularly those from lower socio-economic and other disadvantaged groups. This work should be compared with historical precedent and credible international benchmarks.

**Term of Reference One:** *The principles of the Government's higher education package*

Much of the debate in higher education over the past decade has focused in one way or another on the extent to which a balance has been achieved between the twin objectives of delivering a "public good" through university education for the broader social and economic betterment of the nation and a "private benefit" for the individuals who gain personal and career advantage as students and graduates of the sector. The "public good" element is reflected in the significant amount of public funding which the Commonwealth Government delivers to universities for operating grant, capital and other purposes. The "private benefit" element is represented by the share of sector costs which are borne by students directly as a consequence of their enrolment.

As a result of the Commonwealth package, the predicted net national increase in Commonwealth funded load by 2008 will be only 3460 equivalent full-time students (EFTSU)<sup>1</sup>. The reforms reflect a significant shift in the balance between public good and private benefit when compared with the experience of the sector over the recent past. To the extent that any medium to long-term growth in student numbers is experienced as a result of the reforms, it will be on a full fee paying basis and not the result of significant growth in Commonwealth subsidised places. In fact following the introduction of the reforms, the sector as a whole will have moved from one where students were contributing, directly or indirectly, about one quarter of the costs of their degree program at undergraduate level to a situation where the Commonwealth subsidy of undergraduate teaching in some disciplines (eg. Law) is now under 20% of the total cost of the course. The student and/or their family will pay the balance.

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<sup>1</sup> The Independent Study of the Higher Education Review: Stage 2 report, commissioned by MCEETYA, pp1.

In effect, the Commonwealth reforms will result in cost-shifting from the public purse to students and their families<sup>2</sup>.

Unmet demand for higher education continues to be one of the dominant issues in the sector. Institutions have sought to respond to this circumstance by over-enrolling against their quotas of Commonwealth subsidised places yet they have received only a small fraction of the delivery costs (about 25% or less) for enrolling these students. In Queensland, the state with the highest unmet demand in the Commonwealth, universities have enrolled some eight percent more students than their Commonwealth funded quota would allow<sup>3</sup>. To the extent that the Commonwealth package responds to this circumstance by providing full funding for these students, the package is welcomed. But it is worth noting that it is only a collective recognition by universities of the under-provision by the Commonwealth in the past that has resulted in this situation. It is clear that the Commonwealth has been reluctant to commit funding to future growth in response to unmet demand, providing small allocations of new places in specific disciplines (medicine, nursing and teacher education) but leaving until 2007 any additional general provision. In addition, it will penalise institutions that may otherwise seek to respond to unmet demand as they have done in the past. Eligible students caught by this under-provision will now have to pay full fees in order to pursue their legitimate study ambitions.

Among the other implications of the reform package which seem most prominent are the following:

- a reduction in the proportion of total funding which is borne by the Commonwealth government;
- a significant increase in the direct and indirect costs incurred by enrolled students and their families whether they hold a Commonwealth subsidised place or not;
- further de-regulation of the domestic undergraduate education market in Australia allowing institutions to admit up to 50% more students above their Commonwealth subsidised quota but on a full fee paying basis;
- a failure to embrace a set of policy provisions which seek to compensate low socio-economic status students and their families for the added costs of the higher fee regime. In particular, the scale of scholarship provision which is proposed (and its availability to fulltime students only) is manifestly inadequate;
- the potential re-regulation of institutional discipline mix at the expense of university autonomy;
- an absence of meaningful consideration of issues associated with the VET/higher education interface; and
- despite expressing a wish to foster diversity in institutional mission and purpose, applying a prescriptive approach to university governance, notably with respect to the membership provisions of governing bodies.

Some of these points are canvassed at greater length in later parts of this submission. However two elements of the package – the concept of national priority areas and the introduction of regional loadings - deserve specific comment.

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<sup>2</sup> This matter is further addressed under Term of Reference 5 in this submission.

<sup>3</sup> Based on 2002 DEST student census data.

## National Priorities

The adoption of the disciplines of nursing and teacher education as areas of national priority “to help ensure an adequate supply of high quality graduates for Australia’s schools and hospitals” is a welcome initiative. Of all jurisdictions in Australia, Queensland will have the greatest need for increasing numbers of graduates from these programs in both metropolitan and regional areas<sup>4</sup>. However, the fact that the Commonwealth has needed to quarantine these disciplines from the impact of the higher fee regime that applies to other disciplines, illustrates the essential weakness of the policy reforms being introduced. Left to market forces and the affordability analysis in which prospective students will engage, the Commonwealth has recognised these disciplines, and the professions and career avenues to which they lead, would be under serious threat. How many other disciplines will be exposed to similar consequences as a result of the reforms, yet have not attracted national priority status? A serious oversight in the establishment of the national priority mechanism is the failure of the Commonwealth to articulate a basis on which other disciplines might be assessed for the same treatment.

The current methodology underpinning the identification of national priorities is an exclusively “supply driven” approach. This same method was used to underpin the Commonwealth’s *Backing Australia’s Ability* initiatives in the areas of Science and Information, Communication and Technology (ICT). This recent experience shows that the simple provision of additional places in areas of shortfall provides little or no guarantee that prospective students will be drawn immediately to those opportunities. This is particularly so if students perceive the career opportunities which present themselves upon graduation do not match their level of personal investment and aspiration.

The Queensland Government suggests that the Commonwealth needs to take a broader view of the policy responses it develops with respect to the identification of national priority areas. It also needs to articulate criteria and a process by which future consideration of national priority disciplines might be undertaken.

## Regional Loadings

The Queensland Government is encouraged by the proposal to establish through the Commonwealth reform package a supplementary funding mechanism for universities serving regional communities. While Queensland would appear to be the largest single beneficiary from this initiative, this only serves to underline the fact that Queensland is the most decentralised state in the Commonwealth. With 54% of the population located outside the capital city precinct and where a number of universities have developed distinctive missions aligned with their regional communities, this is welcome recognition of the special responsibilities they fulfil and the costs they incur in doing so. However, an analysis of the proposed process for allocation of loadings suggests a reluctance to fully embrace the principles of regional support. Specifically, why is the basis for calculating the loading confined to the university’s on-campus Commonwealth subsidised load when, for many, the extent of their regional responsibilities extends to off-campus and distance education modes of delivery. A more fundamental issue for these institutions however, is that in an increasingly fee-dependent system, the capacity of regional universities to raise revenue in this way is seriously diminished when compared to metropolitan

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<sup>4</sup> To quote from the Queensland Government’s submission to the *Higher Education at the Crossroads* review, “Queensland has the highest predicted growth nationally in the youth cohort (15-24 years) over the next 10 years (50% of national growth)” pp2.

institutions. The extent to which the scale of regional loadings provides adequate compensation for these circumstances is problematic.

While the Commonwealth deserves praise for recognising the regional burdens of some institutions, its attempt to limit the scope of the provision is disappointing. The loading should be applied universally to all Commonwealth subsidised load in the relevant institutions without exception. Further, it is important that the impact of regional responsibilities on universities should be the subject of an on-going monitoring and evaluation process over time, an issue which is not addressed in the Commonwealth's reform package.

**Term of Reference 2** - *The effect of these proposals upon sustainability, quality, equity and diversity in teaching and research at universities, with particular reference to:*

- *The financial impact on students, including merit selection, income support and international comparisons,*
- *The financial impact on universities, including the impact of the Commonwealth Grants Scheme, the differential impact of fee deregulation, the expansion of full fee places and comparable international levels of government investment, and*
- *The provision of fully funded university places, including provision for labour market needs, skill shortages and regional equity, and the impact of the 'learning entitlement'.*

As a fundamental statement of principle, the Queensland Government believes that eligible young Australians, regardless of the State in which they live, or move to, should be entitled to equal opportunity of access to a publicly subsidised higher education place. It is the responsibility of the national government to provide adequate overall public funding to the sector in order for this basic equity principle to be achieved. Unfortunately, the Commonwealth reforms fail to meet this basic test.

The student places announced in the *Backing Australia's Future* package, and an additional 1800 places from 2008 later advised by the Government, have sought to "meet anticipated population growth". This objective will not be achieved. Independent advice sought by the States and Territories estimates that while in the short-term, the level of opportunities to take up a subsidised (HECS-liable) place will be maintained, a shortfall of some 5,000 fully-funded places is expected by 2011 (Phillips Curran/KPA Consulting, Stage 2 Report, Vol 2, 2003, p.23).

Queensland supports the conversion of marginally-funded places to fully funded places on the grounds of boosting quality and as an initial step in putting the entire sector on a proper funding base. Queensland also welcomes decisions made at the MCEETYA meeting recently in Perth, that States, Territories and the Commonwealth agreed to work together on mechanisms for the distribution of the Commonwealth subsidised places announced in the reform package. The Commonwealth has rightly adjusted its allocations of higher education places in recent years according to the way in which Australia's population is re-distributing itself across State and Territory borders. This process must continue during the implementation phase of the Commonwealth reform package.

However, even an entirely equitable distribution of these places according to demographic pressures is no substitute for current funding deficiencies in that the overall quantum of places is inadequate. The Commonwealth has proposed mechanisms by which extra places might be created – largely through students and their families bearing a greater proportion of the costs of their education. As a result,

it appears that students in those States with the greatest demographic pressures will be asked to carry a higher proportion of the costs than their peers in other parts of the country. Fee paying opportunities cannot be used as a surrogate for the ongoing application of equity principles in the allocation of Commonwealth subsidised places.

Throughout the 1980s and 1990s, under the management of successive Commonwealth Governments, Queensland higher education participation rates remained well below average national levels. Participation in Queensland reached national levels only in 2001 after protracted debates and eventual recognition by the Commonwealth of the continuing population growth pressures facing the State.

The outcomes for Queensland from the allocation of places from *Backing Australia's Ability* and regional places initiatives in 2002 have made a positive further contribution to address historical low participation. Attempts by universities, independent of this outcome, to address continuing high levels of unmet demand in Queensland through student over-enrolment have contributed further to this improving position. However, this has the potential to change markedly as very uneven population growth occurs in Australia over the next decade. Queensland, Western Australia and the Northern Territory are growing quickly in percentage population terms. However, Queensland is Australia's fastest growing State and will record about 50% of all national growth in the 15 to 24 years cohort over the next decade. Moreover, Queensland is the only State where both primary and secondary schooling enrolments are rising. Retention rates to Year 12 are already high although these rates are not associated with a concomitant increase in those school-leavers qualifying for university entrance. In addition, the State's *Education and Training Reforms for the Future* program is designed principally to boost Year 12 completion rates thereby, in effect, raising the higher education aspirations of many school-leavers and, increasingly, the broader Queensland community over time. Therefore, Queensland will feel the effects of inadequate allocations of university places more than any other State.

Queensland currently has around one-fifth of the Australian population. However, in terms of university applications, the Queensland admissions centre receives about one quarter of the nation's applications. In terms of those missing out on gaining a place at university, Queensland accounts for around one-third of those nationally not offered a place through an admissions centre. In 2003, the Australian Vice-Chancellors' Committee reported that for every 100 eligible applicants in Queensland, some 13 applicants were not offered a place. This was the highest ratio of any State in Australia<sup>5</sup>. Moreover, unmet demand in Queensland would have been worse had universities not maintained high levels of student over-enrolment.

The combination of these factors – history of under provision and low participation; high levels of population growth, both absolutely and in the relevant age cohort; and ongoing pressures from the highest unmet demand in the country – underpin the Queensland case for significant growth in publicly subsidised places from this reform package. In the Queensland Government's view, it is essential that the State's participation rate is maintained at, or above, the national average.

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<sup>5</sup> These figures have been discounted for various factors eg. that some students may be counted as missing out on a place more than once if they applied for university entry in more than one State.

**Term of Reference 3:** *The implications of such proposals on the sustainability of research and research training in public research agencies*

The package of reform, *Our Universities: Backing Australia's Future*, fundamentally is not focused on the national research agenda, though it does contain some proposals to assess the progress and impact being achieved in national research effort from the 2001 statement, *Backing Australia's Ability*. This year's budget papers also forecast further attention on these initiatives in the 2004-2005 budget. It is the case that many of the initiatives in the 2001 statement are still being introduced with some funding programs still to receive the major injection of funding that was forecast at the time.

Five initiatives are proposed in the budget papers associated with:

- the development of a national strategy on research infrastructure;
- greater collaboration between universities and publicly funded research agencies;
- the affiliation of the Australian Institute of Marine Science with James Cook University of North Queensland;
- ARC funding for chief investigator salaries; and
- the evaluation of Knowledge and Innovation reforms.

In 2000-01, the Commonwealth Government spent only \$119.6 million of its total R&D expenditure of \$1,424.8 million in Queensland - 8.4% of Commonwealth R&D spending and less than half of Queensland's population share (18.7% as at 30 June 2001). In per capita terms, the Commonwealth spent less than \$33 per person in Queensland, which was less than half the national average (\$73.39) and the lowest of all the States and Territories.

A similar pattern prevails for R&D expenditure in the higher education sector. In higher education, Victoria gets 3% more R&D than Queensland in per capita terms; South Australia gets 16% more; and the ACT gets nearly 8 times as much. This stands in stark contrast with the State Government's R&D efforts. In 2000-01 the Queensland State Government spent \$240.3 million on R&D. At \$66.21 per head of population, this was more than double what the Commonwealth spent in Queensland, and more than any other State in per capita terms. The proposals will do little to address under-spending by the Commonwealth Government, directly or through the universities, in Queensland, and bring expenditure levels to parity with the rest of Australia.

This picture contrasts with the Queensland Government's commitment to the development and enhancement of research infrastructure through the state's universities and through collaborative initiatives between the universities and other public and private sector research organisations. Through the Queensland Government's Smart State Research Facilities Fund (SSRFF), a fund providing some \$150 million for research infrastructure, this commitment has been underpinned with major funding to support the Queensland Bioscience Precinct at the University of Queensland including an investment of \$92.5 million over 10 years in the Institute of Molecular Bioscience, the Institute for Glycomics at Griffith University on the Gold Coast, the Institute for Health and Biomedical Innovation at Queensland University of Technology and initiatives in tropical marine science and tropical forestry at James Cook University in both Townsville and Cairns. In addition, cooperative initiatives involving the Queensland Institute for Medical Research and a number of Queensland public hospitals, in association with universities, are resulting in major infrastructure developments in areas of biomedical research.

The Queensland Government's commitment to these initiatives also extends to support for commercialisation and development of research outcomes. To this end, it has established a \$100 million Biocapital Fund to support investments in biotechnology and introduced a number of programs and schemes to support start up initiatives in commercialising new intellectual property. Queensland has also been the lead agency in the establishment of the Australian Institute for Commercialisation. Dollar-for-dollar matching funding from the Commonwealth would add significantly to the impetus being generated through Queensland's Smart State agenda in the development of research infrastructure.

The Queensland Government welcomes the initiatives to develop a national strategy for research infrastructure and to examine scope for greater collaboration between universities and publicly funded research agencies, and looks forward to participating in the respective processes. Similarly, the Queensland Government has actively participated in the Commonwealth's Mapping Australia's Science and Innovation System. The Queensland Government notes the recent announcement by the Commonwealth Government to affiliate the Australian Institute of Marine Science (AIMS) and James Cook University (JCU) to create a world-class centre of marine science, teaching and research. The Queensland Government believes this initiative will lead to shared governance arrangements, joint strategic planning and resource sharing between JCU and AIMS and thereby enhance research collaboration in North Queensland. It is also understood that this initiative will enable AIMS to access Australian Research Council funding which represents a positive outcome for AIMS. However, it will be important to ensure that AIMS' separate identity is maintained and that block funding to the Institute is not reduced in the ensuing years.

The review of higher education provided an opportunity for universities to express their dissatisfaction at the constraints that apply to research grant schemes, particularly where the full costs of a program of research are not funded by a research funding agency. Institutions have complained that in the absence of full funding, they have been required to subsidise this research from operating grant and/or other monies. The move by the Commonwealth to direct the Australian Research Council to fund Chief Investigator salaries in some circumstances is a response to these concerns. However, whether this initiative represents a complete solution is doubtful. There is no doubt that directing the Australian Research Council in this way, without further enhancement of its grant funds, will limit the extent to which the ARC's otherwise expanding funding base can be directed to support its broader programs of research.

The Commonwealth's announcement of an evaluation of the Institutional Grants Scheme (IGS), Research Infrastructure Block Grants (RIBG), and the Research Training Scheme (RTS) is also welcomed. In particular with respect to the RTS, there appears to be a strong basis for re-assessing the indicators from which Queensland's share of RTS places is derived. The fact that large numbers of research higher degree students in Queensland's major research universities are not able to receive an RTS-funded place while in other states RTS places remain unfilled is a major distortion and inefficiency in the current formula. At the very least a transparent mechanism must be introduced where, in these circumstances, unallocated places and funding is returned for re-allocation to high growth/high demand universities that are unable to respond to this unmet demand.

Finally, the Queensland Government wishes to state again its support for the further development of a strong and sustainable research capacity within regional universities in Queensland. Strategic research on local and regional issues

undertaken in these institutions enhances regional development and supports the development of regional industries.

**Term of Reference 4:** *The effect of this package on the relationship between the Commonwealth, the States and universities, including issues of institutional autonomy, governance, academic freedom and industrial relations*

In overall terms, the Commonwealth reforms are inconsistent with the fundamental realities of Commonwealth/State roles and responsibilities in higher education. This is particularly evident in the Commonwealth proposals regarding governance and institutional accountability which, in most respects, fall within the boundaries of State law. The creation of public universities as State statutory bodies creates around them a comprehensive regulatory and supporting framework, relating to their financial powers and administration, their strategic planning and risk management frameworks, and their oversight of controlled entities. Collectively, the proposed governance and accountability reforms suggest the Commonwealth fails to address these realities. These points will be elaborated further below.

### Governance

Notwithstanding the agreement by MCEETYA in July for the Commonwealth, States and Territories to work together on various aspects of the Commonwealth reforms (including governance), the governance proposals, as they currently stand, are unacceptable from the viewpoint of the Queensland Government. Most critically, the proposals fail to recognise that university governance is essentially a States issue with the composition and powers of university governing bodies given expression through State law – yet States have had no input in the development of the Governance Protocols. Moreover, making increased university funding conditional on implementation of the governance reforms is heavy-handed, inappropriate, and lessens the fundamental importance of good university governance in its own right. As multi-million dollar enterprises and the stewards of considerable State assets, it is clearly important that university governance is of good quality and is continually renewed. More fundamentally, the governance proposals fail to address what should be at the heart of this debate – the essential purposes of university governing bodies, their core activities, roles and responsibilities, and in what ways they should add value to the life of institutions.

The details of the proposed governance reforms, as contained in the National Governance Protocols, are equally problematic. The rationale underlying the Commonwealth's determination that the optimum maximum size of university governing bodies should be 18 members is unclear. Where is the evidence that supports this position? Equally, why not set the limit at 25 or 15 members? In a recent review of Tertiary Education Institution Governance in New Zealand, undertaken by the Director, National Institute for Governance, University of Canberra, Professor Meredith Edwards states clearly that:

*International research shows that effective tertiary education institution governance cannot be secured simply by formulaic prescriptions and compliance measures or adopting a one-size-fits-all approach.<sup>6</sup>*

If the aim of the Commonwealth is to develop a diverse higher education system, with individual institutions pursuing differentiated missions relevant to their own circumstances, there should be some capacity for variation in the size (and

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<sup>6</sup> Edwards, M. (2003), Review of New Zealand Tertiary Education Governance, pp6.

composition) of governing bodies, consistent with their distinctive missions. For instance, an institution with a spread of campuses across several regional centres may wish to have a governing body that reflects its geographical spread. The rationale in making prescriptive determinations on the composition of university councils is similarly unclear and, as indicated above, tends to side-track the debate on third and fourth order issues rather than focusing on the fundamental purposes and features of good university governance. The merits of specifically excluding elected members of Commonwealth or State Parliaments from university councils are also not self-evident. In regional communities in particular, the appointment of MPs can be a useful link into the wider community, and to Government, for the institution (eg. local MPs currently serve on four out of seven public university councils in Queensland including some in regional areas).

Several other elements of the National Protocols are already embedded within current Queensland university legislation and policy, or represent practices already largely adopted by Queensland institutions. For instance, the individual authorising Acts for public universities in Queensland clearly specify common functions and powers for governing bodies while other State legislation and policies outline in considerable detail the expected standards of conduct, duties and responsibilities of appointees to State bodies. Similarly, other aspects of the Protocols (eg. mandatory requirements for professional development programs for council members) are already part and parcel of regular practice for many university councils in Queensland. While Queensland would support a collaborative approach to the development of good practice guidelines, it is of the view that the present prescriptive approach falls well short of that standard.

#### Institutional accountability and autonomy

The proposed new accountability measures for institutions fail to take account of existing State provisions in this area. Core elements of the proposed new 'Institution Assessment Framework', as proposed in the Commonwealth reforms, are risk management and financial accountability. Within Queensland, universities currently address each of these requirements through the relevant provisions of State legislation (the Financial Administration and Audit Act and the Statutory Bodies Financial Arrangements Act). Therefore, the Commonwealth proposals potentially duplicate requirements already covered by State processes. There must be some capacity within the accountability framework for higher education to address the needs of all – universities, and Commonwealth, State and Territory Governments – if the intention is to minimise the reporting requirements on institutions and ensure the proper checks and balances are in place to safeguard the expenditure of public funds. Consultation at the 'front end' with States and Territories on accountability arrangements is essential if these objectives are to be achieved.

In terms of institutional autonomy, the reforms are internally contradictory and inconsistent, proclaiming the importance of developing a diverse and largely de-regulated system on the one hand while adopting a heavily prescriptive and conditional approach on the other. Examples of these internal inconsistencies and contradictions, which collectively send confusing and mixed signals to institutions and the sector overall, include the following -

- making increased funding for institutions conditional on implementation of governance and workplace relations reforms;
- de-regulation of undergraduate teaching arrangements (for instance, as reflected in the capacity to alter HECS rates for particular courses) allied with

- re-regulation of disciplinary mixes (whereby the Commonwealth will fund universities based on the disciplinary mix specifically delivered each year);
- the proposed introduction of a complex array of new fees and loans arrangements for Australian students; and,
  - the introduction of a 'one-size fits all' approach to university governance, as reflected in the National Protocols, and workplace relations reform at the same time as encouraging universities to develop as diverse and distinctive institutions.

### Industrial Relations

Industrial relations in Australian higher education is essentially university/employee business. The attempts by the Commonwealth "to buy" industrial relations outcomes through linking increased funding with implementation of workplace relations reforms reflects a continuation of current practices and is disappointing. It also reflects an unhelpful intrusion on institutional autonomy and is at odds with the development of how good industrial relations policy should be developed. Healthy industrial relations arrangements are fundamental to a healthy higher education sector overall, however, the approach proposed by the Commonwealth is unlikely to encourage the development of a more diverse sector.

This is the second attempt by the Commonwealth in recent times to make funding supplementation within the sector contingent on industrial relations reform. A central question which might be considered by the Inquiry, is whether there is any evidence that this method of intervention is yielding positive outcomes for universities, their staff and the sector overall. Given the magnitude of the funds which are at stake in this process, the question must be given serious consideration. In particular, the costs to universities of administering large numbers of Australian Workplace Agreements (AWAs), were they interested in pursuing this approach, would appear considerable and potentially outweigh the benefits which might attach to accessing their share of the \$404 million on offer.

**Term of Reference 5:** *Alternative policy and funding options for the higher education and public research sectors.*

The proposals in the Backing Australia's Future package fall short in a number of areas of key concern to Queensland, and it is in regard to these areas that alternative policy options should be considered.

### Scholarships and Equity

Firstly, there is little doubt that the proposed funding framework, with the increased reliance on income to universities from student fees, will place a greater cost burden on students and their families. Inevitably, this burden will be felt the greatest by low and middle income earning individuals and families, and will impact on their higher education opportunities. Indigenous Australians will be affected similarly. In regional areas, the financial costs associated with higher education participation already are disproportionately high. These costs include high travel and relocation expenses with many young people having to travel large distances from their homes to attend university, and the increased cost of living that faces many of these students attending universities in metropolitan areas. For many families in regional and remote areas, these costs are cumulative and impact particularly on large families of three or more children seeking access to higher education. As the nation's most regionalised State, this is a matter of significance to Queensland.

Neither the quantity nor the quantum of the proposed Commonwealth Education Costs Scholarships (CECS) and Commonwealth Accommodation Scholarships (CAS) are likely to ease the financial burden on low SES students and their families in any significant way. As is pointed out in the Stage 2 Phillips Curran report, the fact that the scholarships will affect students' eligibility for other Commonwealth support schemes, and that those for whom the scholarships are intended to assist would be the usual recipients of these support schemes, means the real value of the scholarships is eroded considerably (p.80). Based on the Government's own figures, scholarships will be awarded to only 18%, in the case of CECS, and 20%, in the case of CAS, of eligible students. Queensland has the highest number of low SES enrolments in the country (26, 745 in 2002), and while this should indicate the State would receive the highest number of learning scholarships, it also means the greatest number of eligible students will miss out.

Under the proposed loans schemes in the reform package, provided they are studying full-time no student should have to pay any fees at the point of entry. However, the package does not allow for a number of factors relating to the non-fees cost of studying, the long-term effects of student and family indebtedness, and the particular impact of these factors on low SES students, and students from regional areas. The Phillips Curran report points to recent studies that show low SES students are more likely to take additional loans to cover study costs, in which case a perception tends to emerge that the costs of study outweigh the benefits. Such a perception is compounded where there is a high level of debt aversion, which studies have shown is strongest in disadvantaged groups. These trends further bring into question the equity provisions of the reform package.

The Queensland Government remains similarly concerned with the participation, retention and success rates of Indigenous Australians in higher education. In its submission to *Higher Education at the Crossroads* (June 2002), this Government identified some key facts, namely:

- the overall number of Indigenous higher education students fell by 8.14% in 2000, and now comprises only 1.23% of total non-overseas enrolments;
- Indigenous students represent only 0.34% of all students studying for masters and doctoral qualifications; and
- Indigenous students' completion and success rates are about 20% lower than for other students and represented only 0.6% of all higher education award completion in Australia in 2000.

There are no proposals in the Commonwealth's policy specifically aimed at addressing these issues. The State Government submission to the Commonwealth review highlighted the fact that the discussions were not adequately addressing equity considerations at a time when equity should be a cornerstone of the Australian higher education system. If the Commonwealth reforms are to proceed, resulting as they will in increased costs to students and their families, a more comprehensive and equitable financial support structure needs to be developed. A start would be to increase the number of learning scholarships, and make them for full or partial HECS exemption, thereby avoiding the income means test contradiction.

#### School Leaver Participation

A second concern to Queensland is the impact of the reforms on the higher education opportunities for school leavers. The success of a particular cohort of school-leavers in securing university entry can be influenced by factors unrelated to their achievement levels, including the overall availability of places, and planning and resource allocation decisions of universities. The Phillips Curran report shows that

overall funded places will actually decrease in the short term, then grow by only 1.5% by 2008. A likely outcome of the proposed reforms is that students occupying full-fee paying places will use the successful completion of a portion of a program to upgrade their entry score, and apply for a publicly subsidised (HECS-liable) place. The Philips Curran report's conservative estimate is that the ratio of fee paying to HECS students will increase from 1.7% to 5 % by 2008. It is reasonable to assume that a significant number of fee paying students will seek to transfer to a HECS place. This will increase the competition for HECS places, raising entry cut-off levels, and effectively reducing the opportunities for middle and lower ranked school leavers. As noted elsewhere in this submission, the level of unmet demand for higher education places from Queensland school-leavers is already a major issue, and will become more pressing due to demographic pressures and the increasing numbers of eligible students resulting from the State Government's own education reforms.

The Queensland Government has an expectation that the overall allocation of HECS places will take account of the projected increase in demand from the eligible school-leaving population. Alternative policy options could go further and consider quarantining a quota of places for the school-leaving population, or for those who have not previously participated in higher education. As the Commonwealth package stands, the Queensland Government holds the view that school leaver aspirants for higher education places remain an "at risk" group.

#### Learning Entitlements

A central component of the reform package is the five-year Learning Entitlement, which effectively places a restriction on student access to funded higher education, which is currently open-ended. There are a number of implications arising from the Learning Entitlement relating to its implementation and the range of different course and study patterns in the sector. Most significant, though, is the fact that the 'entitlement' actually represents a limitation on access to higher education, a rationing of opportunity. It does not have the positive features of flexibility and portability by which fully developed student-centered funding strategies can foster life-long learning and equitable access. It is a negative, even punitive, measure.

#### International Education

The Backing Australia's Future package was accompanied by an International Education announcement, which was not subject to the consultation process of the Higher Education at the Crossroads proposals. On the whole, the package is disappointing. While the package includes the appointment of senior education counsellors in the US and Europe who will have a government to government role, Australia's presence in newer emerging markets, such as Asia and South America, remains focussed on marketing initiatives and activities rather than genuine international relations. In order to build more enduring relations with our education trade partners, greater emphasis should be placed on developing educational agreements such as credit transfer and mutual qualifications recognition arrangements, and administrative and management expertise sharing.

The focus on marketing, or 'selling' Australian higher education characterises the package overall. Strategies to actually internationalise Australian higher, both in terms of curriculum content and the outlook of the sector, would be more effective in the long term in establishing the system's position internationally, and strengthening the global perspective of business and industry.

An aspect of particular concern in the package is the new international student fee of \$25.00 per EFTS payable by international education providers, to be returned to the Commonwealth, although States and Territories are mainly responsible for the

compliance aspects of on-shore international education. The main burden of this fee falls on public universities, which are already the subject of multiple levels of oversight. Further, State and Territory education departments are themselves international education providers and will have to pay the additional fee, although they already make a substantial contribution to the industry, and to industry regulation, from their own resources. The absence of explicit consultation on this point leaves little scope for Queensland to view this new fee impost as other than taxation by stealth on what is a highly successful export activity.

Finally, there still needs to be work done, in consultation with providers and State and Territory Governments, to determine the desirable balance between domestic and international higher education provision, to ensure that resources in the sector are used to the greatest benefit to the nation.

### Commonwealth-State Relations

As pointed out elsewhere in this submission, the Commonwealth reforms fail to recognise the fundamental realities of Commonwealth/State roles and responsibilities in higher education, most notably in relation to proposed university governance arrangements, and the revised accountability framework. The agreements arising from the recent MCEETYA meeting present opportunities for increased cooperation and coordination between the Commonwealth and States and Territories. It will be incumbent upon the Commonwealth to explore with the States and Territories mechanisms by which their strategic requirements for higher education can be met to achieve an appropriate balance between local and national needs. At a policy level, consideration should be given to establishing a forum or body to facilitate this, for instance, by expanding the brief of the Joint Committee on Higher Education.

The reform package also touches on other areas of state responsibility, and is silent in relation to some key areas where reform is needed.

The package proposes an expanded role for the Australian Universities Quality Agency (AUQA) in the private higher education sector. To be eligible for any HECS places or for the proposed student loans schemes, private providers will be required to be audited by AUQA. The potential for these wider responsibilities to overlap with the current quality assurance responsibilities of States and Territories needs further examination.

The national quality assurance framework in higher education provides for the audit by AUQA of self-accrediting institutions, and the accreditation by State and Territory authorities, of non-self accrediting institutions. States and Territories carry out this role under a legislative framework, and have developed rigorous procedures and criteria underpinned by agreed National Protocols for Higher Education Approval Processes that aim to ensure consistency in process and outcomes across jurisdictions. Queensland has introduced legislation to Parliament that will firmly imbed the procedures and criteria set down in the National Protocols. Included in the legislation is an annual reporting requirement for accredited private providers, and a five year maximum accreditation period. In all, this provides for a rigorous and on-going quality assurance process. It is not at all clear what further scrutiny by AUQA will achieve in terms of quality assurance, and obviously there is the potential for significant duplication of regulatory requirements. While it is clear that there needs to be a transparent and effective accountability regime around the allocation of public funds to any provider, it would be more efficient if the Commonwealth were to liaise directly with the States and Territories to discuss how these accountabilities could be

discharged, at least in part through, or in association with, existing accreditation processes.

The Queensland Government's submission to the Crossroads review suggested that new financial arrangements between the Commonwealth and States and Territories should be explored to match the changing relationships and interfaces across the education and training sectors, and to support students' transitions and pathways across the sectors. Funding approaches need to be more flexible to accommodate the movement of individuals within and across sectors – schools, higher education, vocational education and training, and adult and community education – as appears to be occurring increasingly. Because of the tensions between the funding responsibilities for the sectors, it is difficult to establish innovative cross-sectoral strategies. The debate on these matters, and other cross-sectoral issues, that the Queensland Government anticipated from the review process, never eventuated, and the reform package falls well short in this regard.