



Our Universities: Our Future

Between 'Ability' and 'Knowledge' - hopeful signs in the public debate

Since the release of the AVCC's discussion paper *Our Universities: Our Future* in December 2000, there have been two significant political developments relating to the issues raised in the paper that have created some optimism within universities about the future direction of government policies for universities - whichever side may win the forthcoming national election.

Those two developments have been in turn, the Howard Government's *Backing Australia's Ability* and the ALP's proposals set forth in *Knowledge Nation*. In their own different ways, these proposals are both positive responses to the critical need for Australia to restructure itself to changing global economic and technological circumstances, to ensure that Australia can prosper in an increasingly knowledge-based global economy.

Neither document, however, is a sufficient solution. *Backing Australia's Ability* represents a very good first step in addressing the decline in Australia's research capacity - indeed, the \$2.9b committed in the package is probably near the limits of what could efficiently be introduced in the short term. However, further medium-term initiatives

will be necessary to bring Australia to be near OECD R&D investment averages. Furthermore, *Backing Australia's Ability* does not address the wider issue of the threat to the quality of teaching and learning in universities.

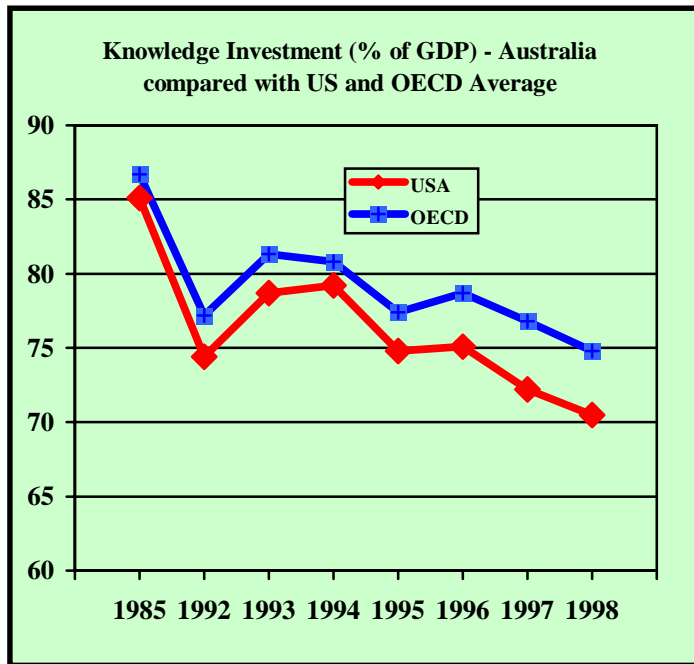
Knowledge Nation is important in calling for a significant cultural change and rethinking of our national objectives. Notably, it recognises the importance of a significant boost to university operating grants and new funding arrangement that is not based on the false belief that 'one-size-fits all'. At the same time, however, while comprehensive, as yet it lacks concrete commitments of the kind found in *Backing Australia's Ability*.

In essence then, while the signs for the future have improved since December 2000, there is still much to be done. The basic messages of the AVCC discussion paper remain valid, and the specific call for a 20% increase in university operating grants remains to be addressed. In issuing this summary document, the AVCC signals its hope that these messages will receive support from the major parties - and the public - in the lead-up to the forthcoming federal election.

Five key messages for Australia's future

- 1. Well-funded universities are fundamental to Australia's future prosperity but we have begun to seriously fall behind the pace being set by other developed nations in knowledge-investment. A 20% increase in base grant funding is an essential boost required now.**
- 2. The time for action is now. Delay will only make the task more difficult. Indeed, if we wait it is possible we may never catch-up.**
- 3. Sustainable innovation needs a broad knowledge base.**
- 4. We must nurture all of our talent regardless of the capacity of the individual to pay**
- 5. Australia must do better than average. To achieve this we need a funding model for universities that is tailored to our unique circumstances and history.**

1. Well-funded universities are fundamental to Australia's future prosperity but we have begun to seriously fall behind the pace being set by other developed nations in knowledge-investment.



The OECD uses three basic measures for determining the level of a nation's 'knowledge investment': one for education, one for research and development (R&D) and one for Information and Communications Technology (ICT). Taken together they make up the OECD's knowledge investment index. The chart to the left shows that in 1985, Australia was spending - as a proportion of its Gross Domestic Product about 87% of the OECD average on knowledge investment and slightly less - around 85% - compared to the United States.

The most recent figures show those ratios down to 70% and 75% respectively. Including ourselves in a suite of 13 OECD countries that we might normally compare ourselves with - Austria, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Sweden, UK, US - on the latest figures we rate 3rd last - only better than Austria and Italy. These countries have recognised the vital role that public investment in higher education and research plays in developing sustainable innovation.

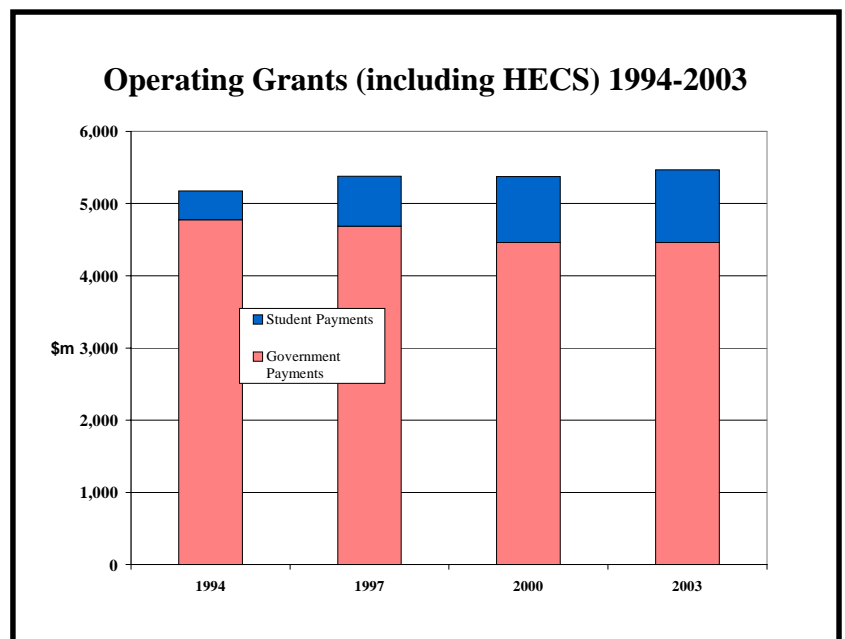
They understand that while additional short-term fee income and income from research collaboration with business ventures provides useful supplementation to university revenues, the highest returns to a nation

can only come when there is proper investment in the people, equipment and infrastructure that are needed for quality teaching and learning, research and research training.

As a first step, the AVCC is calling for a 20% increase in base operating grants to universities. Such an increase would not be an adequate response to international developments but would at least return universities to a position closer to the better funding per student position they enjoyed in the early 1990s.

We are often reminded that universities have never had more funds. If we just consider the raw numbers then this is true. But this simple statement neglects to mention that universities now cater to far more students than ever before, and obscures the fact that where the money comes from is highly significant in terms of how much can be used for long term investment.

In 1994 Australia's universities enrolled around 585,000 students - today the figure is close to 696,000. Yet as the table on the right shows, this growth has not been matched with an equivalent rise in the level of university operating grants. Moreover, this relatively static picture glosses over the fact that increasing HECS revenues are masking a decline in the Government's contribution - a fact which has severely limited the scope universities have to invest in infrastructure and other resources (human and capital) needed to ensure quality outcomes from university teaching and learning.



Universities are not antagonistic to proper accountability.

But we must recognise that too many people in universities already spend too much time responding to changed rules, supplying statistics, adjusting, applying endlessly for the basic funds we need simply to do our jobs, responding to frequent reviews or requests for information... while all the time, more and more funds are tied or project-driven or supplied in packets in the name of accountability. We are slowly being made average. All Australians will suffer if that continues. Enrolling an average number of students into universities of average quality, supported by government at average levels, would be an appalling outcome. Being in the middle of the OECD expenditure tables on education, on research and on development, on information and communications output, is simply to fail.

2. The time for action is now or we may never catch-up.

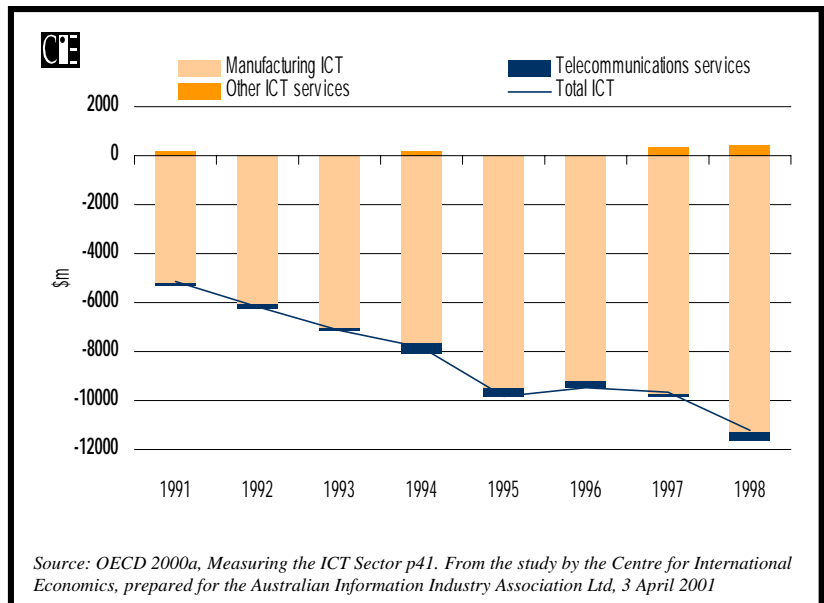
One of the most enduring character traits of Australians has always been the attitude that "she'll be right".

However, we need to recognise that there are dangers in imagining that a phlegmatic attitude will be enough to get us through. The countries that are making today's knowledge investments are not about to stand still to allow us to catch up. As these countries reap the rewards of their knowledge investments they are transforming their economies from low value agriculture and heavy manufacturing to high value-added knowledge-based goods and services that will drive still further cycles of investment and reward. We shouldn't imagine that such transformations can be achieved overnight.

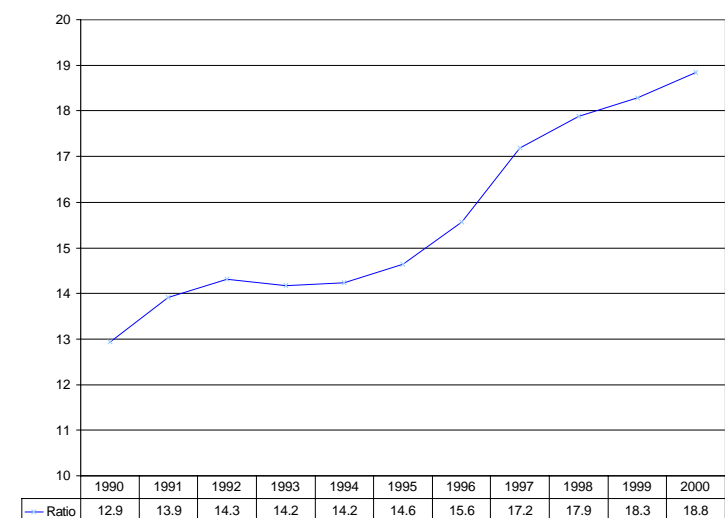
Already Australia is facing a daunting prospect - on recent figures available around 60% of Australia's national debt is attributable to ICT imports and this figure is growing. What the chart above highlights is both a national strength and weakness. It shows that Australians are prolific users of new technology but it also indicates that the goods we are producing are not generating the income we need for the knowledge-based lifestyle Australians clearly desire. But the national 'bankcard' cannot be used without a reckoning. At some point in the near future, this growing level of debt will become a concern for international financiers and our position will become unsustainable.

Our concerns, moreover, need to be understood not just in terms of our capacity to create new industries - it also has to be understood in terms of the quality and reputation of our research and our national capacity to produce quality graduates. Good reputations are more easily lost than recovered. We run a very dangerous risk if we allow the reputation of our universities to suffer by failing to keep pace with investment in universities overseas.

This chart highlights the extent to which students are receiving less time per student with their teachers. The higher this figure the more we risk the quality and reputation of our universities.



Student: Teacher ratio in Australia's universities 1990-



Source: AVCC Student Staff Ratio figures

3. Sustainable innovation needs a broad knowledge base.

All nations depend increasingly on three critical elements: new discoveries, highly trained personnel, and expert knowledge. Australia's universities, just like those in the other countries, have a primary role in supplying two of these and are a major source for the third.

The intelligent country will generate new discoveries, develop its people and support all fields of learning. Some of these fields will, of course, give rise to invention, innovation and economic wealth. Other fields will lead to yet better understanding of civilisations past and the generation of new literary, artistic and spiritual wealth. Together, they lead to intellectual wealth. And well-rounded educational opportunities in all fields will ensure that we analyse and critique the human costs and human benefits of what some will simply call advances.

This is not a unique call on us. As long ago as 1986, the White House Science Council in the US issued a report that focused on the partnership between Government, universities and industry. In it, these advisers wrote that "In this country, we are uniquely dependent upon our universities for both basic research and higher education - perhaps our greatest strength here has been our insistence that the two are inseparable. The heart of the university research system the report went on is the parallel education of students... Moreover, "the health of the entire spectrum of American education from chemistry to computer science to the classics is important to our national future. The nation can ill afford generations of scientists and engineers unable to appreciate the economic and social consequences of their work or the underpinning values and moral judgments that are the primary focus of the humanist."

4. We must nurture all of our talent regardless of the capacity of the individual to pay

That same US report had a lesson about the optimal use of a nation's most vital resource when it declared profoundly that: *no nation can long afford to waste even a small fraction of its most able youth.*

And it is not merely a question of efficiency. An intelligent country will be one that is not only prosperous and culturally rich. It will also be one that is socially just - one that will not let the circumstances of birth be a major obstacle to personal advancement.

The great genius of HECS is in minimising the extent to which potential students may be excluded because of their inability to pay for the costs of their education 'up-front'. It should forever

"No nation can long afford to waste even a small fraction of its most able youth."

remain the basis of our system. However, HECS too has practical limits and we should not imagine that those without the support of wealthy parents or supportive employers will not be the first to be discouraged by increases in HECS charges.

It is reasonable that students should pay some part of the costs of their tuition. But we should not take for granted the enormous public benefit that we all share in an educated workforce and try to unreasonably load this on to the individual student.

As it stands today, Australian students now pay a share of the burden of the costs of their education that is high by international standards. There is no justification for raising that burden any higher.

5. Our size and circumstance demand that Australia must do better than average. To achieve this we need a funding model for universities that is tailored to our unique circumstances and history.

As a medium sized economy, still heavily dependent on 'old economy' wealth, we face a big challenge to find a productive future for Australia. Indeed, a frank appraisal of the geo-political outlook suggests a less than cheerful prospect for Australia – unless we are truly good at what we do. We have few natural allies. We don't have a population large enough to sustain our quality of life with ease or to sustain our own producers, and so create work. We are hardly a large enough market to be of critical interest to foreign producers. And there is no natural reason (by contrast with any possible political reason) for Australia to be a significant part of dynamic international groupings.

There are many calls on the public purse. For this reason the AVCC has argued for what it regards as the minimum necessary in the process of what should be a staged program of re-investment over a decade and more. That minimum as noted above is a 20% increase in base grant funding. This increase in the budget is less than one-third the amount of additional funding announced by the Howard government for the next decade for Defence, and hence we believe well within the bounds of good fiscal management. The AVCC has also developed a package of funding options designed to give something in return for better public funding. The package of options is a concession that Australia needs from its university sector greater not less diversity.

Australia is a diverse community, sparsely populated, with a cultural and historical character that must be catered to when we develop and planning for our system which has the potential to so significantly affect the opportunity of our people and our larger destiny. Our universities have been long encouraged to articulate their particular mission and to identify their purpose. This has been determined by considering some combination of their history, their location, their origin, their student base, their student 'catchment', their research capacity and so on. Even a quick examination of our differences

shows that we have been successful. It is important to accept that this diversity is a positive reflection of deliberate policy directions and suits well the needs of a diverse Australia

It is essential, therefore, that we do not distribute funds using mechanisms that are simplistic and of benefit to just a few, or one that leads to clustering around an unsatisfactory average. *Our Universities: Our Future* does not propose that inadequate outcome. Instead, we propose a model that would allow universities to build their operating grants from government, and their student profiles, by choosing from a package of seven options the ones best suited to their particular circumstances. Taken as a whole, the framework would allow the Government to set the broad parameters for the system, deciding how large overall the system should be, the level of funding for each student, and whether there are particular priority areas that should be supported. At the same time, universities would be able to pursue their particular missions by choosing the most suitable mix of funding using the framework, ensuring a diverse system able to meet the wide range of student, employer and community needs.

Students would have more capacity to follow their preferences; so universities will need to offer real services, and real quality in order to attract and retain the number of students they choose to enrol. The overwhelming majority of Vice-Chancellors does not now, nor has it ever, supported a voucher system. But we do believe that students wanting to attend a particular university should not be excluded simply on the basis of strict enrolment targets set by the Commonwealth.

This has been a momentous year for Australia - the one-hundredth year of our nationhood. In keeping with the nation-building project begun by our constitutional forebears, Australia must make the investments that will be necessary for ensuring the material and intellectual well-being of its people for the next hundred years.