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The Hon. Julia Gillard MP
Deputy Prime Minister
Minister for Education, Employment & Workplace Relations
Parliament House
CANBERRA ACT 2600
Email: julia.gillard.mp@aph.gov.au

Dear Deputy Prime Minister,

Response to the Review of Australian Higher Education ('the Bradley Review')

Thank you for the opportunity to meet with you on 27 January 2009 to discuss the Government's response to the Bradley Review.

Universities Australia remains strongly supportive of the Review and the overall direction of its recommendations. An expansion of participation in higher education, and particularly expanding opportunities for traditionally disadvantaged groups, will promote both social inclusion and economic well being.

The Review has proposed a package of measures that represents the basic investment in funding and structural change for higher education needed for Australia to maintain a world-class university system in the immediate years ahead. Universities Australia emphasises the need for both funding and structural reform to proceed in partnership to deliver this outcome.

We would stress that there is strong sectoral and wider stakeholder support for the great bulk of the Bradley recommendations. Some specific recommendations still require working through, but this does not prevent Government proceeding with key matters. Enhanced investment in higher education will support jobs, recovery and growth, both now and into the future.

Universities Australia's prioritisation is for:

1. **Increased base funding for teaching and learning** by 10 per cent as early as possible, and supplemented by a consolidated equity and performance fund equal to 6.5 per cent of teaching and learning costs;

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2. **Maintenance of the future value of base funding by a true cost indexation formula** along the broad lines suggested in Bradley;
3. **Increased Research Infrastructure Block Grant funding** to 50 cents in the dollar, while further refinement of full-cost of research principles and practice proceeds; and
4. **Improved income support for students** along the broad lines suggested in Bradley.

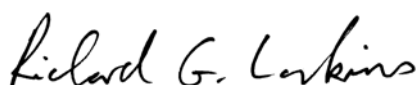
In addition, the Government should:

5. **Continue to expedite the next round of the Education Investment Fund announced on 16 February 2009**, including draw down of corpus by \$1 billion for quality projects; and
6. **Implement the policy commitment to a new student services and amenities fee** through successful negotiation of passage of the legislation and speedy implementation of the policy.

As these and the structural recommendations are then determined and implemented, the measures together can deliver a new knowledge economy for prosperity, society and the environment.

I am pleased to set out Universities Australia's position on the specific issues arising from the Bradley Review in the attachment to this letter. Universities Australia would be most willing to discuss any of these conclusions in detail with the Government.

Yours sincerely,



Professor Richard Larkins AO
Chair

Attach

UNIVERSITIES AUSTRALIA RESPONSES TO SPECIFIC BRADLEY REVIEW RECOMMENDATIONS

Individual recommendations are considered here in order of the Bradley Review Report, but with subsequent linked recommendations brought forward and grouped where relevant.

University Mission (Recommendations 1, 22, 23, 24 & 41):

Universities Australia welcomes the Bradley Review's strong restatement of the substantial contribution of universities to the nation, the importance of a world-class university system, and the need for that to be underpinned by effective connections between teaching and research activity.

Greater consultation is still needed however on the precise nature and cost of enhancement of the research-rich teaching required, its link to "scholarship" more broadly conceived, and how this maps into the desired diversification of university missions into the future.

In particular, "broad field" issues need especial clarification and, equally and importantly, the proposed role of non-university higher education providers in fostering a diversity of higher education choices in Australia is not at all well-defined. Substantial further work will be needed to clarify these wider tertiary implications before the vision proposed can be operationalised.

System-wide Target (Recommendation 2):

Universities Australia fully accepts the value and intent of an ambitious target for higher education completions, but it is concerned that the resourcing required to meet the target of forty per cent of 25-34 year old Australians having a bachelor-level qualification by 2020 has not been properly analysed by the Review itself, extending as it does well beyond the medium-term horizon mostly adopted by the Review.

Long-term planning work should now commence to define the resourcing needed to build the sector to be able to deliver on this target. It is a target that, if met, would enhance Australia's skills in a major way indeed; but the demographic and financial implications need closer scrutiny so that a path to achievement can be defined more precisely and agreed.

Equity and Diversity (Recommendations 3, 4, 31):

Universities Australia is strongly committed to improving equity outcomes in higher education and therefore supports the proposed target of twenty per cent low socio-economic status (SES) enrolments by 2020. Indeed, the wider target of recommendation 2 may well require substantially improved performance on lower SES enrolment to occur if it is to be achievable. Much has been achieved in recent years in the absolute numbers and cohort shares from these areas, but more would enhance fairness and skill development even further.

The overall equity target is ambitious as it represents a thirty-three per cent increase on current levels. However, it is not clear if the recommended target is average or "one size fits all". If the former, it risks "free-rider" behaviour and if the latter, it does not recognise differential circumstances of institutions.

Recommendation 31 talks of a four per cent funding initiative to support "outreach" and "a loading paid to institutions enrolling students from low socio-economic backgrounds". Consideration should be given as to whether the most appropriate success measure should involve graduates as well as outreach activities and/or enrolments. And it needs to be made clear that the fund must be additional to base teaching funding and not a quarantined component of existing funding. This is especially the case as increasing lower SES enrolments and completions do require increased costs.

Universities Australia believes that the best way forward is a separate equity fund, to include funding rolled in from a range of existing equity programs and \$200 million supplementary funding; and with negotiated benchmarks for improvement in enrolments and completions appropriate to each university taking account of their particular circumstances.

In assessing performance, Universities Australia also notes the importance of improving the measurement of low SES participation in universities, and has been working closely with the Department of Education, Employment and Workplace Relations (DEEWR) over the past year on the technical aspects of this issue.

Student Income Support (Recommendations 5, 6 & 10):

Universities Australia supports enhanced student support measures to help address persistent student poverty, including reducing the age of independence and increasing the Australian Postgraduate Award to at least \$25,000 per annum; and strongly supports the regular review of the adequacy of these provisions. Australia stands well down any global ranking of like countries on adequacy of support.

The postgraduate award adjustment must, however, be appropriately indexed in between reviews; and the Review's proposal to tighten eligibility for 'independent' status requires further analysis and consideration of its likely impact. Also missing from the recommendations is the need to put University scholarships on an equal footing with Commonwealth Scholarships: all scholarships and bursaries (regardless of their source) should be excluded from assessable income for the purpose of student income support. Additionally, access to improved student income support should be extended to research masters and doctoral students.

Australian Graduate Survey (Recommendation 7):

Universities Australia supports the development of quality measurement instruments appropriate to all higher education institutions, but does not support the recommendation that participation in the Australian Graduate Survey and Australian Survey of Student Engagement be made compulsory for all providers. The diversity within the sector means that the one instrument will not necessarily serve all providers well, while the reporting burden on some institutions (and the workload of the organisations administering the surveys) will be significantly increased by this requirement.

A more thorough investigation into the most appropriate and cost-efficient instruments to measure quality across a diverse sector is recommended. The intent is right and the need is there, but better survey design and implementation is needed, as is provision for extension to other providers.

Research Block Grants and Research Training (Recommendations 8 & 9):

Universities Australia strongly supports the call by the Bradley Review and the Review of the National Innovation System (the Cutler Review) for an increase in the Research Infrastructure Block Grant to fifty per cent of the amount of Category I competitive grant funding, as an important step towards funding the full cost of research.

That said, Universities Australia is concerned that the Bradley Review calls for further investigation into the closely linked area of research degree funding, at a time when many universities are already enrolled above their Research Training Scheme (RTS) load; when there is a looming shortfall in the academic workforce; and where the Government's own research suggests the RTS is underfunded by \$270 million per year.

In response to these training issues, Universities Australia's Pre-Budget Submission is calling for an expansion of the RTS by \$150 million in 2009-10, with a further \$150 million in 2010-11. Universities Australia supports further analysis as a guide to monitoring policy but not as a reason for any delay on

funding. The analysis, moreover, must include reference to employment of research degree graduates beyond the academic work-force, as many such graduates (perhaps half) appropriately find employment in the business, government and community sectors beyond universities.

International Students (Recommendations 11, 12, 13, 14 & 15):

Universities Australia supports the proposed restructuring of Australian Education International, while noting that the model for an independent industry development agency requires further discussion.

Universities Australia supports funding new doctoral places for talented international students, but believes that the proposal for universities to fund concurrent stipends for these students using student fee revenue runs counter to the Bradley Review's stated objective of reducing cross-subsidisation within the university system, and that such stipends should also be funded by Government.

Universities Australia cited thorough research findings in its submission to the Review that demonstrate that the capacity for cross-subsidy from international students has now been exhausted in Australian universities, except in a few areas only. Any expectation of cross-subsidisation must therefore at best be a matter for individual universities consistent with their mission and circumstances. The clear first-best solution is full-cost funding by government and not a retreat to cross-subsidy arrangements.

Universities Australia is at one with the Review in seeking that the Council of Australian Governments or equivalent body address any inconsistencies in the treatment of international students (e.g. school places for dependent children, travel concessions, welfare support) that are confusing, unfair (particularly given that these students pay GST to states and territories) and act as a major impediment to attracting the best international students to Australia.

Regional Provision (Recommendations 16, 17 & 18):

Universities Australia supports the principle of additional funding to ensure the sustainable provision of higher education in regional and outer metropolitan areas, and notes that a number of options are under consideration in this area. Proper implementation of this provision into the future will be very important for the lower SES targets to be met, as Universities Australia research has documented. Rural and regional participation rates are especially low even when other SES factors are held constant. It is equally clear that higher participation rates and levels of educational attainment are found in rural and regional areas where a university campus is located. Access matters where long distances are involved.

The Government's indicated desire to support a study to determine whether a national university approach to regional areas is desirable is noted, as is the likely recommendation from the Review.

With respect to the current regional loading, Universities Australia supports a review of this measure in the context of establishing the most transparent and efficient means of regional support, but it does not believe a sufficient case has been made to support abolishing the loading at this point nor how it would be implemented administratively in a differentiated university system. For example, the Bradley Review says little about the Government's notion of 'Compacts' and how these would differ from the current Institutional Assessment Framework requirements. Until more is known regarding such matters, final views on new regional support programs cannot be formed.

Quality Assurance (Recommendations 19, 20, 21 & 42):

Universities Australia supports robust national quality assurance and accreditation requirements for all higher education providers.

The proposed cycle of ten year re-accreditation of universities by a new national accrediting body is acceptable to Universities Australia, but will require close cooperation with the States and Territories

to be effective. Within this context however, it is important for the regulatory framework to ensure there is preservation of the self-accrediting status of a university for its courses, and for further clarity to be provided on the meaning and definition of “standards” and how these allow mission differentiation. Universities Australia is aware of New Zealand reform that went too far too soon in such matters.

Importantly, there should be no net increase in the compliance burden on universities as a result of these reforms, for example, any increase in compliance costs through a tightening of accreditation arrangements should be matched by a cutting of “red tape” elsewhere in the system.

Universities Australia also is of the view that settling these matters and arrangements nationally for higher education should precede any extension to other post-secondary education, which for the present should remain state and territory responsibilities. This need not preclude opening up discussions of present boundaries and future wider national regulation across all post-secondary activities, including in relation to the roles of the Australian Qualifications Framework Council, the Australian Universities Quality Agency, Graduate Careers Australia and other bodies, as well as state and territory governments.

Student-Centred Funding (Recommendations 25, 29 & 33):

Universities Australia supports in principle a deregulation of the current centralised allocation of places under the Commonwealth Grants Scheme to enhance student choice. However, the precise mechanisms proposed need further discussion and development. In particular, any ‘student entitlement’ model requires considerable further analysis as to how it would operate and what would be the implications of the model for potentially vulnerable institutions and courses, the lower SES participation elsewhere stressed in the Report, the professional workforce, and for regional areas.

Close modelling of options against objectives here, including various types of regulation and deregulation packages, would be a valuable guide to policy development, as would close review of the relatively less regulated areas in place in university activities such as international students, coursework postgraduate studies and the domestic undergraduate full-fee experience. A reassessment of the sharing of costs across discipline clusters, as recommended by the Bradley Review, would be important to the analysis of student-centred models, and so is supported, as is any downstream review of such costs on a regular basis as and when they remain a feature of the government funding arrangements.

It is also important that student-centred funding not be totally confused with student-driven funding in that a balance is needed to reflect employer views, government national priority concerns and the longer-term knowledge objectives of universities themselves. How this balancing would operate remains to be better defined.

Commonwealth Grants Scheme (Recommendations 26, 27 & 28):

Universities Australia strongly supports the recommendation for enhanced public support for teaching and learning, including a ten per cent expansion in Commonwealth Grants Scheme funding and a return to proper true cost indexation of higher education grants. Universities Australia does suggest however that the equity and performance funding covered in other recommendations be additional to these base teaching and learning funds, and that there be no discounting of the indexation factor. Universities are unlike fully funded monopoly government agencies and services such as defence, that do require such incentives as discounted indexation or efficiency dividends in the absence of market pressures.

Universities Australia also notes that as the funding of Commonwealth-supported places is shared between Commonwealth and student contributions under the HECS Scheme. The latter contributions are regulated by the Commonwealth; and while Universities Australia does not wish the

private contribution share to rise as per the Bradley recommendations, the contribution rate should be subject to the same indexation factor as the Commonwealth Grants Scheme and could be paid as supplementary appropriation grants as a first best solution. Together these two revenue streams still represent only forty per cent of university revenue, so that major incentives remain for efficiency (especially from competition in the international arena) without any discounting of indexation.

Indigenous Higher Education (Recommendation 30):

Universities Australia is disappointed with the lack of depth of consideration on the crucial issue of Indigenous higher education and absence of a sense of real priority and urgency.

A number of areas, such as simplification of income support for Indigenous students (where at least 17 separate programs operate); the promotion of Indigenous cultural competency; the enhancement of recognition of indigenous knowledge in Australian research and scholarship; and improvement in the indigenous workforce in universities, and indigenous workforce development more generally, call for the Government to assist in setting a new agenda for change in the sector.

Performance funding (Recommendation 32):

Universities Australia believes that any performance funding should be supplementary to the proposed ten per cent increase in the Commonwealth Grants Scheme and should be based on the negotiation of mission-specific benchmarks with individual institutions.

Undergraduate fee-paying places (Recommendations 34 & 35):

Universities Australia believes that individual institutions should be free to choose whether to enrol domestic as well as international fee-paying students in any undergraduate course.

HELP debts (Recommendations 36 & 37):

Universities Australia would welcome the removal of the loan fee on OS-HELP loans to encourage more Australian students to undertake a component of their studies overseas. In addition, Universities Australia would recommend the extension of OS-HELP to full-time postgraduate students.

Universities Australia does not see any need to increase the loan fee for FEE-HELP, particularly given the Bradley Review's broader conclusion that the burden on domestic students should not increase.

Implementation costs (Recommendations 38 & 41):

The adequacy of proposed funding for implementation costs and structural adjustment will need to be considered against the changes proposed by the Government in its response to the Review. But Universities Australia affirms the principle so recommended and suggests that such recognition of costs imposed and incurred has been crucial to successful past structural reform in Australia. When it is absent, reform visibly slows.

Philanthropy (Recommendation 39):

Universities Australia supports a matching fund for philanthropic donations to universities, but would wish to obtain clarification on how any capping were to operate for individual institutions and would recommend regular triennial review of the total funding to be available.

Unified Post-secondary Framework (Recommendations 43, 44, 45 & 46):

Universities Australia affirms the value of greater national integration and consistency in regulation and funding in the higher education field. Further development of such principles for higher education, including dual sector institutions in their degree awarding and degree-linked diploma activities, would be potentially useful. It is not clear, however, that the national direction and integration of all post-secondary education (including trades and Certificates I-IV) by the Commonwealth is necessary or desirable, nor that improved outcomes there for the present could not more readily be achieved through closer Federal-State cooperation.

Universities Australia supports the expansion of places (including through access to HELP loans) for VET Diploma/Advanced Diploma students, provided that funding for this is supplementary to the recommended increases in funding for higher education.

Universities Australia does support greater clarity and consistency in Australian Qualification Framework guidelines which would still assist all post-secondary pathways and linkages constructively, provided these are not prescriptive for individual universities.