**Introduction**

Higher education is critical to the intellectual, economic, scientific, social and cultural development of the State. The sector also has an essential role in the creation of the State’s human capital by advancing scholarship, cultivating intellect and imagination, underpinned by principles of intellectual freedom, inquiry and openness.

As major contributors to a high quality workforce, universities are critical in enabling NSW commerce and industry to compete effectively in global markets and in providing training for essential public services such as teaching, nursing and policing for which the State is a major employer.

Universities make significant contributions to State economic development through their provision of advanced learning and professional training for large sections of the community; through research and the advancement of knowledge; and generation of high value added industry and employment. As major education exporters, universities inject indirect and direct revenue into their local communities and the State as whole.

These contributions are especially important in regional areas, where universities play a critical role in local skills enhancement and in boosting regional economic development more generally.

Equally critical is the role of higher education in social and cultural development and in furthering social values of understanding and tolerance. Universities have a major responsibility to instil ethical and moral principles alongside managerial or technical skills, and to foster an active and participatory civic spirit among future graduates (UNESCO - *Policy Paper for Change and Development in Higher Education*, France 1995).

The higher education sector is also prominent in the search for solutions to broad ranging global problems as well as those specific to the State and regions. Universities are well placed to work with governments and industry in addressing national and local issues such as environmental management; biotechnology; Indigenous matters; and health and welfare issues. There is growing community interest in harnessing the intellectual, research and teaching capacities of universities in addressing local issues.

In addition to applied research on specific topical issues, universities need a strong “pure” or curiosity driven research capacity, with broad public interest objectives. A broad spectrum research capacity needs to be sustained in higher education to provide governments with the flexibility to respond to new and emerging issues.

Universities are part of a wider education continuum, comprising schools, vocational education and training and adult and community education. Development of links between the sectors assists in creating pathways to higher education for traditionally under-represented groups and facilitates lifelong learning. For this reason, the NSW Government supports the establishment of a policy and planning framework in the sector that recognises and promotes a “seamless” education system. This system should acknowledge not only the abilities and achievement of students across all sectors (school, TAFE and university) but also should establish formal procedures that allow flexible progression to become standard practice.

Higher education operates within an economic and social context. It must respond to both of these imperatives if it is to have relevance to modern Australian society and to the knowledge economy. The funding and regulation of the sector must acknowledge not only its private and public benefits for individuals and employers, but also the ways higher education benefits society and the national economy as a whole.
Funding

The current level of Commonwealth funding for the public higher education sector is clearly inadequate. More than $3.5 billion in funding has been cut from the sector since 1996, with the result that public funding is now on average less than 50 per cent of universities’ revenue. This has occurred at a time when student enrolments have grown significantly. In NSW alone, there has been an increase of 35,748 or 24 per cent in student numbers since 1996.

This has had a significant and potentially irreversible impact on the sector. The pressure on universities for continued productivity savings is evident across a range of areas of university operations and the situation is becoming critical. An estimated 14,000 to 20,000 eligible students were unable to gain a university place in 2002 (AVCC Survey of Applicants for Undergraduate Higher Education Courses 2002). Those who gained entry were faced with overcrowded lecture theatres, high student/staff ratios, over-worked teachers, poorly resourced libraries and deteriorating infrastructure. In addition, over the last three years, on average 25,000 students were over-enrolled each year. Universities have had to absorb most of the costs of these extra places as the Commonwealth only provides funding at a marginal rate for over-enrolled students. The combined pressures on universities are creating serious challenges to the achievement of both a socially inclusive and high quality university sector.

The Commonwealth has attempted to compensate for public funding cuts in three main ways – requiring a higher contribution from students; encouraging universities to commercialise their activities; and shifting some of the sector’s costs to the States and Territories.

Student Contribution

Since 1996 the Commonwealth has required a higher student contribution to the costs of study through the introduction of differential rates for the Higher Education Charge Scheme (HECS), full fees for postgraduate courses, and allowing universities to charge full fees for up to 25 per cent of their undergraduate enrolments. In 1997/98 the repayment threshold for HECS was also lowered from $28,522 to $20,701. These costs are imposing barriers to increased participation by groups that are traditionally under-represented in higher education and a growing debt burden on students. The additional costs paid by students have not led to an increase in recurrent funding for institutions. Rather than improving the quality of the learning experience, the increased student contribution has reduced Commonwealth budget outlays on higher education.

If student costs rise further, this will have major social and economic implications. It is time the Commonwealth questions the level of debt students can reasonably be expected to repay. HECS is not the only debt students will acquire over their lifetime. A university degree is also no guarantee of a permanently high income. Further, HECS is not interest free, but is indexed to a level higher than the inflation rate. This means that the longer the debt remains, the more students have to pay. As poorer students are likely to miss out on the discounts for paying their HECS upfront (25 per cent), or making early repayments (15 per cent), they end up paying 33 per cent more for their study over time. If a commercial rate of interest were imposed by the Commonwealth, they would pay even more. (Dr Bruce Chapman, Submission on Financing Issues to the Department of Education, Science and Training Inquiry into Higher Education Reform, July 2002.)

The HECS repayment threshold should also be raised from its current level of $23,242 to the level of average weekly earnings of $35,755 (Australian Bureau of Statistics, Average Weekly Earnings of Employees, Australia, February 2002, total average adult earnings including part-time employees).

A recent study by the Centre for Comparative and Global Studies in Education at the University of New York showed that Australian students make a high contribution to the
costs of their study compared with other countries. When tuition costs and living expenses are taken into account, Australia was ranked second in the world for independent students and third for those living at home with their parents (International Comparative Higher Education Finance and Accessibility Project, Centre for Comparative and Global Studies in Education, University of New York, Buffalo 2002).

The Commonwealth’s latest proposals for fee deregulation would lead to an increased cost burden for students and their families, and would entrench social exclusivity in higher education. In 2001, the proportion of students from low socio-economic groups was the same as in 1991, at 14.6 per cent. The proportion of rural students has declined from 18.5 per cent of enrolments to 17.7 per cent. While Indigenous student numbers have risen from 0.9 per cent to 1.2 per cent over the same period, there was a 15 per cent fall in commencing Indigenous students in 2000 (DEST, Higher Education Report for the 2002 to 2004 Triennium). These statistics show that widening participation in higher education should be a major priority for the Commonwealth Government.

Commercial Activities

While Commonwealth policies have required universities to diversify income, this funding has not compensated for public funding cuts. Private funding for higher education is not consistently applied to educational objectives, for example funding more student places in areas of workforce shortage such as teacher education and nurse education, or improving the quality of educational delivery. It is also not evenly distributed amongst discipline areas, institutions or geographic areas. Industry and corporate support for universities is sometimes directed to new commercial endeavours, rather than to universities’ core missions.

Too great a reliance on commercial revenue without adequate Government regulation may also expose universities to risk. The growing dependence by universities on entrepreneurial activities has compelled States and Territories to ensure universities are properly accountable for commercial activities. In NSW, the Auditor-General’s Office, the Ombudsman and the Independent Commission Against Corruption (ICAC), have had to increase their involvement in the scrutiny of universities. Greater exposure to risk in the sector was raised in the recent ICAC report Degrees of Risk – a corruption risk profile of the New South Wales university sector. It also has been addressed in new NSW legislation – The Universities Legislation Amendment (Financial and Other Powers) Act 2001 – which strengthens the regulation of university commercial activities.

Cost-shifting to States/Territories

The Commonwealth has argued that, as the major beneficiaries of the economic multipliers of universities, the States should pay more for their upkeep. Such claims ignore the national significance of higher education and its critical role in the global economy. The resourcing of higher education is clearly a national responsibility. This is supported by the 1974 Commonwealth/State Agreement on Higher Education, restated in 1991, where the Commonwealth accepted primary responsibility for funding the sector.

The Commonwealth’s argument for a greater State contribution to higher education in rural/regional areas focuses on economics and ignores the key issue of educational equity. Higher education is for all Australians, not just city dwellers. The Commonwealth has responsibility for funding all public higher education. There is no justification for excluding rural and regional areas from these responsibilities, or attempting to shift funding responsibility to the States.

Further, despite the Commonwealth/State Agreement, the States already make a significant contribution to higher education through direct financial assistance and in kind support. The State contribution is radically under-estimated in the Setting Firm Foundations discussion paper. There is inconsistency in the reported figures between what is being counted as a State
contribution across the States and Territories. In some States, for example, it appears that capital contributions have been included but this is not so in NSW. *Setting Firm Foundations* alleges that the NSW Government collects $96 million in payroll tax from universities but only contributes $14 million. Not all the direct grants in NSW have been factored in. For example, between 1997 and 2002, the NSW Government expended $144.6 million on the Conservatorium of Music redevelopment which benefits the University of Sydney. Around $116 million of that figure is attributable to the University component of the development. NSW Health contributes about $100 million per year in assistance to universities by direct payments and in kind. The Department of Education and Training is contributing $88.5 million over the next four years for initiatives to enhance the quality of teachers and to ensure an adequate supply of teachers in key learning areas. NSW universities occupy both Crown land and land given to them by the NSW Government for a nominal amount. Developments of new university campuses are often contingent on TAFE NSW land and other assistance. NSW estimates that its assistance to NSW universities is in excess of $200 million per annum, which is twice the level of NSW universities’ payments for payroll tax.

**Funding for Private Higher Education Providers**

Given the cutbacks to the sector since 1996, some of the Commonwealth’s proposals to extend public funding to private institutions will spread public funding even more thinly. *Setting Firm Foundations* acknowledges that HECS and the Postgraduate Education Loans Scheme (PELS) involve a significant subsidy by the Commonwealth while HECS and PELS debts are outstanding. For example, the proposed extension of PELS to more private providers could involve a public subsidy of up to 40 per cent for a graduate with an unpaid HECS debt who did not start repaying their PELS debt for 10 years (oral evidence by Professor Bruce Chapman at hearing of the Federal Senate Employment, Workplace Relations, Small Business and Education References Committee on the Inquiry into the Commonwealth Higher Education Funding Amendment Bill 2002). PELS is also likely to increase demand for courses offered by private providers and lead to fee inflation. This would mean that over time the public subsidy for private higher education could be significant.

The application of The World Trade Organisation’s General Agreement on Trade in Services (GATS) to educational services must also be viewed with extreme concern in this context. The Commonwealth Government clearly sees the liberalisation of market access as a means of further extending international markets for Australian educational services. It is essential to ensure that overseas providers entering the Australian higher education market meet Australian standards as documented by the National Protocols and the Australian Universities Quality Agency. The fact that the Commonwealth is seeking to increase the role of, and extend public subsidies to private higher education providers could result in Australia funding overseas private providers under “National Treatment” at a later stage of the GATS negotiations. This would be deleterious for the public higher education sector in Australia, since public funding would become ever more thinly spread.

**Funding Principles and Goals**

The most significant outcome from the Review should be the setting of national targets for participation and growth in post-secondary education and training, and development of a plan for their attainment. This is gaining urgency as Australia is well below the OECD average for expenditure per student (in US dollars) - $29,194 in Australia compared with $35,087 for the OECD (Mark Considine, Simon Marginson, Peter Sheehan, Margarita Kumnick, *The Comparative Performance of Australia as a Knowledge Nation, Report to the Chifley Research Centre*, 2001).

The United Kingdom (UK) Government has set its own target that by 2010, 50 per cent of young people aged 18 to 30 will be participating in higher education. The UK has also signalled its intention to widen university participation and has instituted a range of measures
to assist universities to attract and retain students from areas where the higher education participation rate is low.

The Australian target should focus on positioning the nation to be a dynamic player in the global knowledge based economy. The target should incorporate Vocational Education and Training (VET) due to the significant role played by this sector in skills development and lifelong learning, and the over-arching goal of a seamless education and training system.

NSW considers that Commonwealth funding should be governed by the following fundamental principles and goals:

1. Australia’s investment in its tertiary education sector, incorporating higher education and VET, should be increased in the long term to 2 per cent of GDP, to bring Australia into line with average expenditure per student in OECD countries.
2. Completion of tertiary education should be boosted so that by 2010, 60 per cent of Australians will have acquired a tertiary education qualification compared with 49.5 per cent currently.
3. Higher education should be recognised as a national priority, funded by the Commonwealth with no shifting of costs to State and Territory Governments.
4. There should be no additional funding burden on students.
5. Commonwealth funding should recognise the differential costs for rural and regional universities and those with higher levels of participation by disadvantaged students.

New Funding Model

In the context of the longer term goals identified above, NSW proposes a new funding model based on restoration of Commonwealth funding to higher education with the additional funding being applied to growth in the sector and to improvements in the quality of teaching, learning and assessment. This would involve university operating grants returning to 1994 levels over the next four years and enabling full indexation of academic salaries as occurred up to 1994.

In recognition of the higher cost structures faced by rural/regional universities, these institutions would receive a funding load. These and other institutions enrolling students from low income backgrounds and other disadvantaged groups would also receive an access premium (similar to the 10 per cent access premium for universities enrolling disadvantaged students in England).

The sector must be funded for growth. NSW estimates that 40,000 new fully funded places are required across all States and Territories to meet unmet demand. This is based on average unmet demand over the last three years of 15,000 and average over-enrolments of 25,000. Some of these places should be allocated to teaching, nursing and other areas of critical workforce shortage.

Income Support

Income support arrangements for university students require major revision. The current level of support is low and the eligibility criteria are too restrictive. Recent data released by the Australian Council of Social Service (ACOSS) shows that Youth Allowance and Austudy payments for students are between 20 and 39 per cent below the poverty line. Mature age students are most disadvantaged as they receive significantly less than the unemployment benefit and are not entitled to rent assistance.

Survey data produced by the Australian Vice-Chancellors’ Committee (AVCC) shows that four in every ten students receive some form of income support and that most of these are categorised as “independent” and receive the full-rate of benefits. However, more than half of all students had not applied for, or received, any social security benefits because their
parents’ income or assets were too high. Of the eight per cent who applied but were refused assistance, parental income was again the reason. The survey also reports that many students are paying their way while living at home and that the assessment of “dependency” is flawed. [Source: Paying their way – A survey of Australian Undergraduate University Student Finances, 2000, AVCC].

Given the restricted and low level of government funded income support, more students are being forced into paid employment to finance their studies. This is having an adverse impact on their learning experiences. The AVCC survey shows that the proportion of full-time students undertaking paid work during semester has grown from 50 per cent of undergraduates in 1984 to more than 70 per cent in 2000. Students are also working longer hours, some 14.4 hours a week on average in 2000 compared with 5 hours a week in 1984.

Approximately 10 per cent of students borrow to cover shortfalls in their living expenses. By the time they graduate many students will have accumulated significant debts in addition to HECS. Students’ financial circumstances are influencing their decisions on course, university and mode of study. For others, financial barriers are preventing participation in higher education. While equity scholarships could be introduced, these are vulnerable. A similar Commonwealth initiative in 1997 was removed within a couple of years.

It is disappointing that the Review does not make a causal link between the inadequacy of income support, student poverty and the adverse effects of paid employment on student learning. It is also surprising that the discussion papers on quality, specialisation, financing and Indigenous education do not include a review of income support in their proposals. For example, if a high degree of institutional specialisation were to be imposed on the sector, more students would need to relocate to pursue certain disciplines. Numbers would rise sharply from the 11 per cent who relocated in 1999. This would impact most significantly on disadvantaged students in rural and regional areas, as their local institutions would be most likely to have limited course offerings. Given the insufficiency of current income support for students, relocation would impose a further barrier to participation in higher education.

A review of government funded income support is overdue. Without specific targeted measures to address student poverty and to remove barriers to higher education for under-represented groups, universities will increasingly become the preserve of the elite. The Commonwealth should consider the impact that any Review decisions would have on participation in higher education by disadvantaged students. It should also assess any outcomes against the growing numbers of students from a variety of backgrounds, living in poverty, or under-performing in their studies because of long hours of paid work.

**Diversity and Specialisation**

Many of the arguments for diversity and specialisation in the Review discussion paper Varieties of Excellence have merit in terms of limiting duplication and competition, and fostering greater collaboration within the sector.

**Research Specialisation**

It is recognised that there are differences in research strengths among universities and that some specialisation is required in order to pursue an international reputation in particular disciplines. For this reason, NSW supports the development of niche specialisations that across institutions, including Centres of Excellence or research “hubs”. However, contestable research funding arrangements should operate within a broadly based research environment which fosters an active research capacity across all institutions and allows all institutions to compete for contestable research funding. NSW agrees with the AVCC that “there must be scope to continue research in all fields to ensure that we do not miss out on innovative,

Decisions on the geographic location, disciplines and chosen institutions for any future centres that may be established, should be undertaken in consultation with State Governments and have reference to a range of factors including regional development; links with employment; potential links with other education and training providers; and State social and economic priorities.

While scholarship, teaching, professional application, research and community service are all valuable aspects of a university’s operations, NSW strongly supports the nexus between teaching and research as a core component of an academic’s role. Proposals to introduce teaching-only institutions and to concentrate research funding in leading research universities would return the sector to the binary system, with significant equity implications (see the discussion under “Equity”).

Finally, any discussion of research specialisation must have at the forefront the need for significant public funding to enhance the overall research capacities of the Australian higher education sector. The Commonwealth’s 2001 Innovation Statement Backing Australia’s Ability announced $3 billion for industry focused scientific innovation and research. This was welcome. However, NSW is concerned at the neglect of Australia’s research capacity and considers that an injection of funding is needed in the short term, rather than the five year phase in for the research initiatives in Backing Australia’s Ability.

Course Rationalisation

NSW universities have already embarked on a program of rationalising or combining some courses at a State based level and this should continue. However, not all disciplines are appropriate for rationalisation simply because they are offered at all Australian universities. For example, Business Studies and Management is a necessary part of the academic profile of all Australian universities, and is a requirement for the successful operation of undergraduate, international and coursework postgraduate programs at our universities. Any move to rationalise this and other essential disciplines would weaken the academic base of the affected universities, and dilute their international competitiveness. This is critical in attracting funds, students and grants.

Under the Commonwealth proposals for specialisation, it is unlikely that the benefits of greater diversity in terms of collaboration and more efficient use of public funds would be realised. If combined with a deregulated fee regime, specialisation would give rise to more, rather than less, competition, as institutions compete for students and for funding. Similarly, the Review proposals to give private providers access to public funding as a means of increasing diversity would exacerbate this situation.

Apart from diverting scarce resources from an over-stretched system, placing private providers on the same funding footing as public universities will not achieve a diverse and collaborative system, but would lead to greater convergence in course provision. Varieties of Excellence acknowledges that the market for overseas fee paying students tends to be narrowly focused on high demand, fee paying areas such as commerce and accounting. Giving private providers publicly subsidised student places is unlikely to significantly widen the range of subjects on offer, given that many of these providers tend to focus on courses in high demand. Given that private providers would also be less constrained by government efforts to coordinate course provision, and would not accept the same degree of accountability for public funds as public universities, the outcome would be a fragmented, market driven system.

In addition, the Commonwealth would need to invest more heavily in distance education and virtual modes of higher education to overcome geographic barriers to participation in a
diversified higher education sector. Assistance to certain students with the purchase of computer equipment would be required. The Commonwealth would also need to step up its investment in telecommunications links across Australia. Rural and regional universities state that affordable access to information technology, including bandwidth, is a major issue in higher education provision in non-metropolitan areas.

**Quality**

The single greatest threat to quality standards in higher education, which should have been the focus of the discussion paper *Striving for Quality*, is the dramatic reduction in public funding of the sector since 1996. These cuts have led to increased student/staff ratios, overcrowded lecture theatres, reduction in tutorials and reduced practical experience in teacher education and nurse education. Steadily increasing hours of paid employment by students, given inadequate income support, are also detracting from the learning experience.

The States have been strong players in enhancing quality. Under the *NSW Higher Education Act 2001* and the associated administrative guidelines, NSW is responsible for ensuring that overseas and interstate universities wishing to operate in NSW, as well as institutions wishing to become established as universities, meet the requisite quality standards. These standards relate to the quality of courses, teaching staff, resources, research and so on. The guidelines aim to ensure that non-university higher education providers meet quality standards comparable to those which operate in Australian universities before they can be registered and their courses accredited or before they gain university status.

As the global higher education market has grown, the States have had to become more vigilant in safeguarding the quality of the sector. Bogus providers and the availability of fake degrees on the Internet have created new challenges for State regulators. It is timely that the Commonwealth accept a greater role in monitoring the growing trade in fraudulent qualifications.

In this regard, there are some key areas in which the Commonwealth could productively assist the States and Territories. These could include taking action against offenders under the Commonwealth *Trade Practices Act 1974*, and conducting systematic research on the accreditation and legal status of suspect overseas providers in their countries of origin, and the history of their local and international operations. This information could be relayed to States and Territories, for consumer protection advice to be shared, and concerted action taken. Action at Commonwealth or international level could also be taken against questionable Internet providers based overseas. This could occur through telecommunications legislation, international treaties or conventions, trade agreements or through the work of UNESCO.

As noted previously in this paper, the NSW Ombudsman, the Independent Commission Against Corruption and the NSW Auditor-General also make a significant contribution to maintenance of standards of financial and administrative propriety in NSW universities.

Quality in university teaching and learning outcomes will not be achieved through the superficial measures proposed by *Striving for Quality* such as creating “teaching only” academics. A commitment to improvement in quality teaching should be a high priority for all universities. The National Tertiary Education Union (NTEU) has stated that universities are hampered in their efforts to enhance teacher quality because Commonwealth funding cuts have forced them to reduce staff development programs. The current state of decline in the sector will primarily be reversed through a firm commitment by the Commonwealth to adequate public resourcing.
Rural and Regional Universities

Rural and regional universities are particularly vulnerable to market driven reforms, as they generally have a greater reliance on public funding and less capacity to diversify their funding sources. Many are more recently established and have a lower resource base than metropolitan universities. They also face higher cost structures arising from factors such as distance, inability to achieve the same economies of scale as larger universities and the greater learning needs of equity target groups who are better represented in these institutions.

A number of the proposals put forward in the Review discussion papers are a direct threat to the viability of rural and regional universities, particularly if adopted collectively, namely:

- removal of research capacity from certain universities and their reclassification as undergraduate-only institutions, under proposals for institutional specialisation
- re-classification of some of these universities as primarily having a community “charter”
- a deregulated fee regime, allowing institutions to supplement their income by charging market rates as a “top-up” to HECS, but with no extra public funding.

Rural and regional universities in NSW are not an homogenous group. There are major differences arising from their location, history, age and funding base. The three rural universities are Charles Sturt University, Southern Cross University, and the University of New England. The two universities located in major regional cities are the University of Wollongong and the University of Newcastle. The University of Western Sydney, located on the Sydney fringe, is a “new generation” university and shares some of the characteristics of rural and regional universities. The University of Sydney also has a Faculty of Rural Management at Orange, which is being developed in cooperation with the NSW Government.

Despite Commonwealth assurances that there will be no teaching only institutions, the proposals in the Varieties of Excellence discussion paper for undergraduate universities and specialist post-graduate course-work universities explicitly state that teaching would be their primary focus. Undergraduate universities are synonymous with teaching-only universities. The more limited research role envisaged for these institutions contrasts with proposals for “world class” research-only institutions which would receive targeted Commonwealth funding.

Higher education would revert to the binary system, as the likely targets for these reforms would be universities with a developing research capacity, usually more recently established and often located in a rural or regional area. Together with other proposals to establish “regionally focussed” institutions and “specialist discipline” institutions, it is likely that rural and some regional universities could be targeted for downgrading. Larger established universities would gain an upfront advantage as the paper acknowledges that these would offer a larger range of courses than smaller institutions. Any such move would reverse the major developments in the sector over the last ten years which have led to the creation of a strong and unified public higher education system.

The reforms to the sector a decade ago which created many of these institutions have provided access to university for under-represented groups of students and have brought enormous educational, cultural and economic benefits to their local communities. Returning the sector to a two-tiered hierarchy would relegate students in regional NSW to lower order degrees and have a broader impact on the sustainability of their communities.

Under such a scheme, local communities may be deterred from paying the costs of higher education to attend what is perceived as an alternative or lower order university. The viability of these institutions may also be threatened, as specialisation could reduce economies of scale and limit flexibility to respond to emerging subjects and student demand.
The stringent funding regime under which all universities have been operating has particularly impacted on certain rural and regional universities. For many, it has limited their ability to renew research infrastructure and to attract private research investment, relative to established metropolitan research institutions.

The Review proposals for research specialisation and the creation of “teaching only” or “undergraduate only” institutions is a reactive measure to compensate for the negative impacts of Commonwealth funding cuts. Downgrading research in selected universities with a developing research capacity, would effectively penalise these institutions for having a much lower research base than established universities, and less capacity to compete for public and private research funds.

The Commonwealth should recognise the current research efforts of these universities and build on their existing research strengths. Despite their relative disadvantage, two of the rural universities in NSW have a proportion of post-graduate students that is equal to or higher than the Australian average of 20 per cent - Charles Sturt University at 20 per cent and the University of New England at 24 per cent. With the exception of one institution, rural universities in NSW also have a high proportion of academic staff with a higher degree – 78.6 per cent and 89 per cent compared with the Australian average of 67.2 per cent (source – *Higher Education at the Crossroads* pp 46-72).

The important role rural and regional universities play as economic and social accelerators is based on their capacity as fully fledged universities. In 1999, taking into account wages, salaries, capital expenditure and all other operating expenses, the five non-metropolitan universities in NSW injected just a total of $817 million directly into their regional economies. This expenditure, in turn, generated flow-on production and consumption, so that in the same year there was $1.1 billion in value adding and a total of 28,000 direct and indirect full-time equivalent jobs were sustained. (The University of Western Sydney is not included in this analysis by the NSW Department of State and Regional Development 2001, based on data in *Finance 1999: Selected Higher Education Statistics*, DEST). These gains were possible because these institutions are universities in their own right, with research expertise that has attracted national and international recognition.

Rural and regional institutions make an important contribution to research. Proposals to reduce the research capacity of some of these institutions would impede their development and would reverse the gains they have already made. Unless they retain their full university status, with both teaching and research capacities focussed on their strengths, they risk losing ground in the sector. The resultant loss of students and income would impact not just on individual institutions but on rural and regional Australia.

*Re-classification as Community Charter Universities*

The *Crossroads* proposal that some rural and regional universities be recognised for their community charter should complement not replace their existing research role. It is true that as major employers, they are catalysts for social and economic development in their regions. They also contribute to locally relevant research and have a key role in raising the educational standards of their communities.

However, recognition of this role implies additional funding. Without Commonwealth funding supplementation, the proposal for a more “local” orientation for these universities should be viewed with some caution. Over-emphasis of the community focus of rural and regional universities under-values the extent to which their current research activities contribute to the broader national interest. Southern Cross University has established research credentials in plant conservation and genetics, in tourism and in soil research. Charles Sturt University is also a national leader in wine science, sustainable rice production, rural social research and management of dry land salinity. The University of New England is well known for research into animal breeding, genetics and animal production and nutrition. The
University of Western Sydney has centres of excellence in areas such as auditory cognition, horticulture, food technology and construction technology. The University of Newcastle’s research expertise includes engineering, technology and health and it is the lead site for the Cooperative Research Centre in black coal utilisation and the Special Research Centres in dynamic control and multiphase processes. The University of Wollongong’s strengths include materials and manufacturing, telecommunications and IT, policy and social impact, and biomolecular science.

As major distance education providers, Southern Cross University, Charles Sturt University and the University of New England cannot be described as only having a local focus. In addition, they deliver courses in areas of national importance such as teacher education and nurse education. Charles Sturt, the Universities of Wollongong and Western Sydney also have relatively high proportions of overseas students – 21.9 per cent, 26.8 per cent and 16.5 per cent compared with the NSW and national averages of 17.4 per cent and 18.7 per cent respectively.

Funding only some universities for community or regional service would also be controversial as all universities claim to have a role in either regional areas or community service.

Rural and regional universities should be recognised and adequately funded for these significant national activities as well as their local or community role.

Supporting the Equity Mission of Rural and Regional Universities

A combination of reduced funding, and an inflexible funding formula across the higher education sector, is creating entrenched disadvantage for some rural and regional universities compared with metropolitan universities. The Relative Funding Model which determines the allocation of funding to universities has not been revised for many years, with the effect that there has been little recognition of the particular funding needs of universities located outside metropolitan areas.

The Commonwealth’s proposals for specialisation can be expected to redistribute funding within the sector rather than involve supplementation for rural and regional universities. In addition, while the proposal for fee deregulation (Model 2), Setting Firm Foundations includes a financial loading for institutions that choose not to increase student contributions above a base rate, this amount is unquantified. This funding may prove insufficient to cover the higher costs faced by these institutions.

There is a strong case for rural and regional universities to be recognized and funded for their role in improving the equity profile of higher education. In NSW, many of these institutions enrol a higher proportion of disadvantaged students than other universities. For example, over 61 per cent of all domestic students at Southern Cross University are from a rural or isolated area, as against the national university average of 19.4 per cent. The average enrolment of students from low socio-economic backgrounds across all Australian universities is 14.8 per cent; whereas the University of Newcastle enrolls 26.2 per cent and the University of New England enrols 18.5 per cent (source: Higher Education at the Crossroads pp 46-72).

Indigenous students are also a higher proportion of enrolments at these universities. In 2000, Indigenous students in NSW universities comprised 0.91 per cent of domestic enrolments. The proportion was higher at Charles Sturt and Southern Cross Universities and at the University of New England – ranging from 1.33 per cent to just over 2 per cent (source: Students 2000 – Selected Higher Education Statistics, DEST). In addition, of 41 Indigenous medical graduates from Australian universities, 32 are from the University of Newcastle which has provided a targeted enrolment and support program for Indigenous medical students. The University also hosts one of the five Indigenous higher education centres which is responsible for a major Indigenous research and research training agenda.
For many rural and regional university students, a local university presence provides the only affordable option for higher education. The costs of relocation to, and study at, a city university are often prohibitive. Given that a high proportion of their students are drawn from the local area, non-metropolitan universities have a critical role in providing access and removing barriers to university study, and raising educational aspirations.

These universities raise awareness of higher education in areas where there has traditionally been little or no participation. In NSW establishment of access centres or “integrated network” campuses are a key aspect in extending higher education opportunities to students in outlying rural communities. The University of New England’s access centres do not receive Commonwealth funding. They are cross-subsidised from income generated by the University’s other teaching activities. Lack of recurrent funding for such equity initiatives weakens the University’s overall resource base.

Rural and regional universities, along with other education providers such as TAFE, contribute to raising the overall educational level of their communities, encourage students to study and settle in their area, and provide a cultural and educational hub that attracts skilled people to the region. All these elements provide a cultural and educational synergy that contribute to the viability of rural and regional areas. Non-metropolitan universities are clearly national assets and a national responsibility.

Consultation with Rural/Regional Communities

It is disappointing that the forums on the Higher Education Review are only planned for capital cities and do not include regional areas. However, States and Territories will be looking to the Commonwealth at the MCEETYA meeting at the University of Ballarat in October, for assurance that rural and regional areas will be bolstered rather than weakened by the outcomes of the Review. As agreed by Ministers at the July 2002 MCEETYA meeting, no decisions should be taken by the Commonwealth on future support for higher education without rigorous assessment of their rural/regional impact.

Teacher Education and Nurse Education

There is a strong public interest in the delivery of quality higher education in essential services such as teaching and nursing. This must be a national responsibility, supported by Commonwealth Government funding. The Teacher Quality and Educational Leadership Taskforce recommendation for the development of a national standards framework supports this view. The framework will describe the knowledge, skills and values of an effective teacher in Australia and will support the National Goals of Schooling. Similarly, the Federal Senate Review of Nursing called for a national nursing workforce planning strategy, supported by nationally consistent data.

As Commonwealth higher education funding is not quarantined for particular disciplines, cutbacks have particularly impacted on teacher education and nurse education faculties which have limited access to corporate support. Institutions have limited scope to offer more places to meet student demand in these areas, as funding for “over-enrolments” is only at a marginal level. Institutions also tend not to transfer student places from other fields of study to teacher education or nurse education because of higher delivery costs, in nursing in particular.

It is of concern that the Commonwealth’s proposals for institutional specialisation do not address education in essential services, including teaching and nursing. These disciplines could form areas of institutional specialisation. However, students, particularly those of mature age, may be unwilling or unable to relocate to study teaching and nursing given the inadequacy of income support arrangements and the lack of financial incentives such as high graduate salaries. Limited course choice at some rural or regional universities could have the
effect of channelling local students into teacher or nurse education as the only affordable means of obtaining a degree, without any intention to practise in these areas.

**Teacher Education**

Funding cutbacks in teacher education have resulted in considerable difficulties in funding professional experience as part of initial teacher preparation; reduced class contact hours; and higher student/staff ratios. The University of Wollongong reports that the high costs of field experience places a limitation on the number of student places that can be offered in teacher education. The funding of professional experience is a continuing issue given recommendations of the 2000 Report of the Review of Teacher Education in NSW undertaken by Gregor Ramsey, *Quality Matters* (the Ramsay Review) that the level of professional experience for teacher education be increased.

The continued implementation of teacher education programs requiring specialised resources, such as Science and Technological and Applied Studies, is at considerable cost to education faculties.

Student costs have also risen, particularly in areas of teacher shortage, with the introduction of differential HECS for Mathematics, Science and Technology.

Although the States are major employers of teaching graduates, they have little influence over the supply of teacher education places, the quality and balance of provision such as primary versus secondary; and discipline requirements.

The Ramsay Review noted the declining trends in the supply of teacher education places and in the quality of the learning experience. The Review’s main finding was the link between the learning outcomes of school students and the quality of teaching they receive. Ramsey made a significant case for teaching as the critical profession as it impacts on all other professions and on all people in the community. He argued that this should be reflected in the priority given to the planning, funding and reporting of teacher education by both the Commonwealth and those institutions that are engaged in it.

Despite these findings and those of other commentators, 7,787 qualified applicants were turned away from teacher education places at Australian universities in 2002. Major shortages are evident in certain disciplines and geographic areas, and the profession is ageing. In NSW, there is currently an annual shortfall of 600 Mathematics, Science and Technology teaching graduates, while completion numbers in these categories have declined by a total of 246 since 1995.

In response to this situation, the NSW Government has established a Joint Committee on Quality Teacher Provision to provide strategic advice on the future supply of quality teachers in NSW. In May 2002, as part of its budget enhancements, the State Government provided $88.5 million over four years to fund a range of teacher supply and teacher quality initiatives. NSW Government funding has also enabled the introduction of a scholarship program for teacher education students, sponsorships for skilled workers to undertake accelerated teacher training programs, and teacher retraining programs.

However, these initiatives involve the diversion of State resources to fund teacher education which should remain a Commonwealth role. While the recently announced Commonwealth Review of Teaching and Teacher Education is welcome, the key issue in teacher supply is inadequate funding of teacher education. Some NSW universities are experiencing unprecedented demand for teacher education places which cannot be met because of insufficient Commonwealth funded places. Others are over-enrolled in teacher education courses such as Charles Sturt University which has experienced a 29 per cent increase in first preferences for teaching courses in 2002. At this university, first preference applications for undergraduate courses in teaching totaled 3,464, however offers were under 600. Similarly,
first preferences for the Graduate Diploma of Education numbered 1034 but offers could only be made to 271 applicants. Given the need to attract teachers to rural and regional areas, it is critical that rural and regional universities, in particular, are properly funded to meet this demand.

The July 2002 resolution of the Ministerial Council on Employment, Education and Youth Affairs (MCEETYA) for the creation of a National Allocation Priority Pool of 2,500 new student places in areas of workforce shortage would be a useful starting point in boosting teacher supply. However, it is unlikely to meet the total shortfall.

**Nurse Education**

Nursing preparation within universities presents similar issues, with public funding cuts impacting on the quality and supply of nursing graduates. NSW Health has argued consistently that the numbers of graduate nurses are insufficient to meet demand. Since responsibility for funding nurse education was transferred to the Commonwealth in 1994, there has been a ten per cent decline in the number of enrolments into undergraduate courses (until 2000), resulting in a cumulative shortfall of 1,700 nurses in NSW. This figure approximates the nursing shortage in NSW. The decline has occurred despite a formal agreement between the Commonwealth and NSW that targeted enrolment load and completion levels would be maintained.

These trends are being experienced nationally. In 2002, nearly 3,000 qualified applicants missed out on a nursing place at Australian universities. A major concern relates to inadequate funding of clinical training. This has reduced the availability and duration of clinical placements, and shifted greater responsibility for student supervision to non-academic hospital nursing staff. Concerns are now being raised as to the clinical relevance of some under-graduate nursing programs and the work readiness of nursing graduates. There is also increasing pressure on the NSW hospital system which is not resourced for nursing training. This is a further departure from the Commonwealth’s agreement to maintain the clinical experience component of preparation acceptable to State nurse registering authorities.

Earlier in 2002, the NSW Minister for Health wrote to all NSW Vice-Chancellors and Deans of Nursing requesting that they review their nurse education courses to make them more attractive to students. The Minister proposed compressing the current three year degree into two years and attaching nurses to one or more hospitals for practical training.

However the proposal has met with mixed results from universities. The Commonwealth must provide funding for additional undergraduate nursing places to meet the State’s workforce requirements, including supplementary funding for clinical education. The MCEETYA resolution for establishment of a National Allocation Priority Pool of 2,500 new student places in areas of workforce shortage, will provide new nursing places, but, again, its adequacy needs to be assessed against unmet demand.

**Educational Equity**

A key principle of higher education must be equity of access, with recognition of the important contribution to be made by disadvantaged groups and regions. The removal of barriers to higher education, and participation from the full cross-section of the population, is vital to a socially inclusive society. Similarly, a well educated citizenry is essential to a thriving national economy and civil society.

NSW believes that widening participation should be a major goal of the Higher Education Review. The Review provides an opportunity for the Commonwealth to re-evaluate equity initiatives within the sector and devise more effective strategies for widening participation.
Students from groups that are traditionally under-represented in universities have higher support needs during their studies, particularly Indigenous students. Universities report that these students require lower student/staff ratios, IT training and culturally sensitive teaching and learning programs. Unless adequate support is provided to universities, attrition rates will remain at or above the national average for certain of these groups.

NSW agrees with the Australian Vice-Chancellors’ Committee Advisory Group on Indigenous Higher Education that “...there is no more important an issue facing Australian higher education than the participation and whole-hearted involvement of Aboriginal and Torres Strait Islander students and staff within the sector.” (reported in the Review discussion paper Achieving Equitable And Appropriate Outcomes). Equality of educational outcomes in the higher education sector in particular is vital to ensure social equality for Indigenous Australians in the wider Australian community.

However the discussion paper tends to see barriers to Indigenous participation in higher education as located in individuals rather than in institutions, and their policies. The paper cites factors such as educational and rural/regional disadvantage as the major causes of low Indigenous participation in higher education, rather than the impact of government policies. For example, the paper ignores the impact of Commonwealth cutbacks to higher education funding, and fee increases, on access and outcomes for Indigenous students. In 2000, cuts to Abstudy caused Indigenous higher education commencements to decline by 15.2% (source: Apartheid Australian Style 2002, J. Wright, National Tertiary Education Union). The Commonwealth has also reduced Indigenous support funding per student to 1997 levels, and has abolished the merit based equity scholarship scheme.

Achieving Equitable And Appropriate Outcomes acknowledges that funding is an issue inhibiting improvement for Indigenous students and suggests in many places that additional support is required to improve outcomes for Indigenous students. However the focus is not on the quantum of funds but on devices for achieving greater efficiencies in the use of the existing quantum.

Differential HECS is also an issue. One rural university has anecdotal evidence that differential HECS is deterring some of their disadvantaged students, including Indigenous students, from embarking on higher cost courses. While acknowledging that enabling courses are attractive to Indigenous students because they are free of educational debt, the discussion paper does not consider the impact on Indigenous students of deregulating fees and increasing HECS. These students face a greater poverty barrier and are more debt averse than other students.

To increase Indigenous participation, retention and outcomes, the Commonwealth must put back the funding it removed from Abstudy and increase the level of funding to Indigenous support centres in universities. NSW also supports the following measures - stepping up anti-racism campaigns on campus; increased funding for Indigenous student accommodation; targeted programs at the early childhood level; new curriculum in Indigenous languages; increased numbers of Indigenous academics; new pathways from VET to higher education; and opening more opportunities for Indigenous researchers. If implemented, such initiatives would be a gesture of reconciliation and promote the goal of social equality.

Abstudy should be reviewed, along with the review of income support for all students recommended in the “Funding” section of this paper. The Commonwealth should also introduce an institutional funding “premium” such as applies in England for institutions enrolling students who are traditionally under-represented in higher education. The premium would assist institutions in meeting the higher support needs of Indigenous and other disadvantaged students to ensure successful outcomes from university study.
VET/Higher Education Interface

HECS for TAFE Courses

The discussion paper Varieties of Learning makes a number of assertions regarding upward trends in TAFE students progressing to university, the amount of credit they receive for their prior TAFE studies, and how this reduces the costs of their university degree. Recent research by the Centre for the Economics of Education and Training at Monash University suggests that these claims are questionable (Mike Long and Gerald Burke, HECS and VET: Reflections on a Student Loans Scheme for VET, 2002).

Varieties of Learning claims that the admission of students to university on the basis of TAFE qualifications has increased between 1993 and 2001. However this increase was concentrated in the period 1993-1995. Between 1995 and 2001 the proportion of students admitted to university on the basis of TAFE qualifications was reasonably stable.

The paper claims that TAFE Diploma graduates are substantially more likely than other TAFE graduates to enter university in the year immediately after completing their course. However the majority of TAFE graduates (54.3 per cent) who enter university in the year after their TAFE course, have completed a course other than a Diploma, at Certificate IV or below. The pathway from VET to higher education is not restricted to graduates at the upper end of the qualification framework.

Varieties of Learning claims that over the period 1993 to 2001, the number of commencing university students who gained credit for TAFE studies has increased at a substantially faster rate than the number of commencing university students. However if 1994 is taken as the base year, any increase is negligible. For subsequent years it declines. If based on 1996, proportionately fewer commencing students are now being granted credit for TAFE study. This has occurred following the introduction of differential HECS which, according to the Commonwealth’s argument, should have encouraged more students to enrol in TAFE courses to avoid HECS. The apparent growth from 1993 might reflect no more than a change in the way DEST processed the data it receives from universities.

Finally, the paper acknowledges that the level of exemption for any particular student tends to be small. In fact, the numbers are insufficient to warrant the major policy change that HECS in TAFE would involve. In 2001 fewer than 500 of the 219,597 students who commenced a university degree (or below) course received credit on the basis of their TAFE studies for more than half their course. In 2000, only 5.7 per cent of NSW university admissions were on the basis of prior TAFE NSW study. Half of these articulating students received only 25 per cent or less exemption for prior TAFE study. In 2000 most articulating students (89 per cent) received less than 50 per cent exemption. Very few students gain exemptions of 75 per cent or more of the course’s total requirements. There were none in 1995, 1997 and 1998, 1 in 1996, 6 in 1999 and 13 in 2000. [Source: Education Student Statistics collection, DEST].

The argument that it is inequitable for TAFE Diploma and Advanced Diploma students to pay lower fees than university students is based on the false assumption that most of these students are doing these programs purely as a means of getting a university degree at a lower cost. TAFE courses are stand-alone courses which provide a national qualification. Most students enrol in them because they want that particular qualification and the majority do not proceed to university.

While there is little evidence to support the extension of HECS to VET, such a move would have significant adverse impacts. If placed on a par with university courses, the costs of TAFE courses would increase from the range $250-$690 to $3500-$6000 annually (Statistics 2001 at a glance, National Centre for Vocational Education Research). Although the Crossroads paper indicated that a HECS type charge would apply only to courses that
articulate into university, the proposal would still affect 200,000 Advanced Diploma and Diploma students at TAFE throughout Australia, and more than 43,000 NSW TAFE students. The proposal would have a particularly adverse impact on the 18,746 or 43 per cent of TAFE NSW Diploma and Advanced Diploma students receiving exemptions from TAFE administration charges in 2001.

Low income TAFE students receive fee exemptions or concessions, while certain streams of study such as basic employment skills or educational preparation courses are also exempt from charges. These students are granted exemptions because they may be any or all of the following - Indigenous students, clients of a teacher or consultant for students with disabilities, and individual students who are low income earners and receive one of the Centrelink, or other eligible pensions or allowances. No such exemptions are available for university students. Imposition of charges for study, through a HECS scheme, would be a major impost on these students and likely deter many from TAFE study.

The prospect of debt would create additional barriers to educational participation by students from low income families and also those seeking qualifications in occupations with lower earning potential. TAFE has a higher proportion of these students than the higher education sector. TAFE Directors Australia reported in its submission to the Review that in 2001, only 14.6 per cent of university students came from the lowest socio-economic quartile (Crossroads data) compared with 26 per cent of TAFE students (unpublished NCVER data). TAFE graduates are also more likely to have a non-English speaking (31.3 per cent) or Indigenous background (2.0 per cent) than university graduates (16.7 per cent and 0.7 per cent respectively) (NCVER Statistics 2000 TAFE and University Graduates).

It is acknowledged in Varieties of Learning that it would be administratively difficult to distinguish a HECS liability between students and courses which articulate and those which do not. For example, 200,000 Advanced Diploma and Diploma students at TAFE throughout Australia, and more than 43,000 NSW TAFE students could be affected by these changes whether they choose to continue their studies at university or not. Attempts to create a “level playing field” between TAFE and university would effectively penalise a significant proportion of TAFE students because a minority receive a small amount of credit when articulating to university. The likely outcome of such a move would be an actual decline in the number of articulating students, as TAFE students would be deterred from undertaking Diploma or Advanced Diploma courses.

In addition, as many TAFE students are in paid employment while studying, they would be over the HECS repayment threshold. While the loan would be deferred, repayments would commence immediately. Mature age students would be particularly affected. Such a move would be a major impediment to the policy of lifelong learning.

Extension of HECS to TAFE would undermine the funding base for TAFE. Whereas the ANTA Agreement guarantees a specified level of funding for VET, HECS is based on an individual contribution to the costs of study. The scheme would extend to TAFE the under-funding experienced in higher education.

Increased Commonwealth investment in TAFE is required, not higher user charges. At the 2002 ANTA Ministerial Council, NSW gained the support of all States in recommending that the Commonwealth provide an additional $130 million per year for five years to assist young people at risk. NSW also gained the States’ support for an increase in Commonwealth funds for VET in schools, which is providing real alternatives for students. HECS is a direct threat to TAFE NSW’s mission to provide flexible, affordable, work related courses for people of all ages, in all communities and from all walks of life.

In May 2002, the NSW Parliament voted in opposition to the Commonwealth’s plan to introduce HECS fees to TAFE courses.
**Credit Transfer/Articulation**

*Varieties of Learning* examines issues which may restrict movement of students across the two sectors. In particular, it discusses credit transfer, differences in assessment, the need to increase articulation and joint programs and the need for better management of student transition. NSW acknowledges that these are critical interface issues. However, investigation of these issues should not be used as a pretext to apply HECS to TAFE.

NSW agrees that credit transfer and multi-campus arrangements should be improved, including cooperative arrangements with TAFE. There is a need for greater cross-sectoral collaboration to facilitate lifelong learning by assisting people to move between educational sectors to gain the skills and qualifications that they need throughout their lives.

In this regard, NSW supports the proposal in *Varieties of Learning* for a national system of credit transfer. Currently, credit transfer arrangements are limited to specific arrangements between individual institutions which are time consuming and costly to negotiate and maintain. A national system, based on sound educational principles, would provide greater certainty for institutions and students. In a related development, NSW is leading the ANTA National Project to increase recognition of achievement in VET in schools. Plans are underway to pilot a graded assessment process across four industry frameworks.

NSW considers that procedures should be put in place to allow the previous achievements of school students to be appropriately recognised by universities and ensure that students do not need to repeat outcomes already achieved. As with VET to university articulation, recognition of school leavers’ prior learning and flexible progression ought to be part of a national framework.

Dual sector qualifications could also be extended, enabling each sector to focus on its strengths and providing students with multiple exit points. Such qualifications are an improved means of providing TAFE students with pathways to university.

NSW supports the proposal that research should be undertaken into multi-sector arrangements across Australia to identify their strengths and any problems that are being experienced.

**Implications for Commonwealth/State Relations**

The social, economic and cultural roles of universities, and the public benefits accruing to society provide a strong rationale for Commonwealth and State governments having a shared responsibility for the higher education policy framework.

The Review has major implications for Commonwealth-State relations and the 1974 Agreement on Higher Education, restated in 1991. Continued reference in the discussion papers to public funding as a “subsidy” contradicts this Agreement which gave the Commonwealth primary funding responsibility for the sector. Of equal concern are proposals in the discussion paper that would establish formal mechanisms to bolster this “subsidy” through a greater contribution by the States/Territories – see earlier discussion under “Funding”.

The Agreement also gave the States/Territories along with the Commonwealth a joint policy and planning role for the sector. In practice this has been largely Commonwealth driven, resulting in State and regional priorities being compromised. Proposals in the Review discussion papers indicate that little has changed in this regard. *Varieties of Excellence*, for example, proposes a new national body responsible for course rationalisation, but its role, and that of the States in its operations, is uncertain. State legislation would be affected if this body has a regulatory or planning role, particularly if it determines the mission or objects of NSW universities.
Varieties of Excellence also notes that if the objects of a university are narrowed, the new National Protocols which define a university, would need to be amended. The protocols were only finalised in 2000 and all States have drafted legislation to assist their implementation. NSW has recently passed two pieces of related legislation – the Universities Legislation Amendment (Financial and Other Powers) Act 2001, which amended the objects of a university, and The Higher Education Act 2001 which set out procedures for establishing new universities. Redefinition of the role of universities would necessitate further amendment to all establishing Acts for NSW universities and the Higher Education Act which has yet to be proclaimed.

In relation to VET, proposals to introduce HECS or PELS charges to TAFE imply that the Commonwealth would seek to renegotiate the ANTA Agreement. Given that HECS and PELS involve a direct Commonwealth payment to institutions on behalf of the student, it is not clear how this would operate in VET where the States are the primary funder. As per the earlier discussion in this paper, the NSW position is that HECS is not appropriate for TAFE.

Any moves by the Commonwealth to recodify the roles of the parties to these Agreements must be undertaken openly. Accordingly, the States and Territories must be equal players with the Commonwealth in any decisions on the future of the sector. The Higher Education Review should include opportunity for frank and open negotiations between all jurisdictions.

Governance

The States have a direct interest in the performance and management of universities. They are responsible for legislation which establishes universities including their objects, functions and powers; the propriety of their operating procedures and financial management; and compliance with other State legislation including Annual Reporting requirements. The States also have an interest in the policies and activities of universities in relation to economic development including educational exports, in preparing a skilled workforce, regional development, and their links to other education sectors, particularly schools and TAFE.

The Review discussion paper, Meeting The Challenges: The Governance And Management Of Universities, proposes a range of measures it claims are designed to give universities greater flexibility in relation to their commercial operations, membership of their governing bodies, workplace relations, quality assurance and accountability. The rationale for the proposals is to achieve greater efficiency in university operations. The potential effect would be to expose the sector to greater commercial risk, reduce the quality of teaching and learning, and to downgrade the integral role of the States in university governance. Additional liabilities would be created for the States.

The paper is critical, for example, of the NSW practice of including Parliamentary representatives on university governing bodies and promotes smaller, non-representative, corporate style management boards. NSW acknowledges that it is essential to have business expertise on university councils particularly given universities’ growing commercial orientation. When the NSW Minister nominates individuals for appointment to university governing bodies, the balance of skills amongst members of that body are carefully considered including whether there is sufficient business acumen. Most NSW university legislation also states that Ministerial appointees should have certain abilities including educational, professional or business skills. Equally important, however, is that governing bodies have adequate community input. The increasing community development role of universities warrants the continued involvement of local Parliamentary members, staff and students in their governance.

Further, the claim that some State governments are restricting institutional entrepreneurial freedom, disregards the fact that universities are State statutory bodies in receipt of public funding. As such, the States have a responsibility to ensure the propriety of universities’ operations including entrepreneurial activities. Recent NSW Government legislation has
empowered university governing bodies to approve commercial functions within Ministerially approved guidelines. *The Universities Legislation Amendment (Financial and Other Powers) Act 2001* has enhanced the role of university Councils in the control and management of their institutions’ affairs consistent with the objects and best interests of their institutions.

At the centre of *Meeting The Challenges: The Governance And Management Of Universities*, is the Commonwealth’s attempt to reduce the power of the NTEU and other university unions, and to remove the NTEU from the industrial relations landscape. The NTEU is criticised for its "centrally-determined, pattern-bargain approach" to the determination of salaries and staffing "which reduces flexibility and undermines effective performance management strategies". There is a clear preference for direct negotiating between employees and employers and the replacement of certified agreements with Australian Workplace Agreements, the cornerstone of the Commonwealth Government’s industrial relations agenda. The discussion paper contains several other provocative suggestions likely to lead to a period of industrial unrest in Australian universities if pursued. Primary amongst these is the suggestion that academics would only be employed nine months of the year, the duration of the teaching period.

Also significant is the paper’s support for the creation of teaching-only positions, performance-based bonuses or top-up payments and alteration of the balance between casual, temporary and permanent staff. NSW is concerned that moves to further casualise the academic workforce and to erode employment conditions will significantly and permanently undermine the quality and reputation of the Australian higher education sector. There has been a steady decline in academic salaries in relative terms since the early 1980s which has affected Australia’s ability to retain high quality academic staff. The Commonwealth Innovation Statement in 2001 acknowledged the “brain drain” and introduced fellowships to attract from overseas, a limited number of academics. That the Commonwealth has to develop such inducements is an acknowledgement of the decline in the remuneration and support for academic staff, compared with other countries. The latest round of proposals are likely to destabilise the sector and further erode its standing.