

CHAPTER 10

UNIVERSITIES' CONTRIBUTION TO REGIONAL DEVELOPMENT AND EXPORTS

So we are not looking for special funding; all we are looking for is a fair go. We are certainly not receiving that, and I think rural Australia deserves better.¹

There are few if any government activities that would be able to better universities in delivering a positive impact to a regional economy.²

10.1 This chapter is concerned with the specific contributions that public universities make to economic growth in communities and regions and to the export of higher education services. Universities' contribution to economic development through research was covered in Chapter 6.

Capacity of universities to contribute to economic growth in communities and regions

10.2 Following on from its inquiry into 'Jobs for the Regions' in 1998-99, the Committee had a particular interest in the issues facing regional universities. It held hearings in four cities hosting regional universities: Darwin, Hobart, Newcastle and Townsville (the Committee considers Hobart and Darwin as regional centres in this context) and visited the Batchelor Institute of Indigenous Education in the Northern Territory.

10.3 The problems and issues facing these universities are as diverse as the regions themselves. As the 'Jobs for the Regions' report found, the label of 'regional Australia' disguises a wide disparity in economic and social circumstances and prospects. Mid-size towns in popular coastal strips close to growing populations face different challenges from smaller inland towns with economies primarily reliant on primary industry. The fortunes of regional universities and campuses are often closely associated with those of the local region, although the characteristics of the university, including its historical funding base, areas of course specialisation and student load, are perhaps more important. In some regional areas, declining populations translate into declining enrolments, but in other areas, increased school retention rates are resulting in increasing levels of unmet demand. Universities in larger towns coastal towns such as Newcastle and Wollongong, are generally more attractive to staff and students, including international students, than universities in more isolated areas.

1 Professor J. Pratley, *Hansard*, Sydney, pp.1038-1039

2 House of Representatives Standing Committee on Primary Industries and Regional Services, *Time running out: Shaping regional Australia's future*, 13 March 2000, quoting West review report on regional universities

Nevertheless, regional universities generally share some common concerns, including community expectations that they provide a broad range of programs and meet local development needs. Many are also relatively new and without the broad funding base of the older metropolitan universities and have been particularly disadvantaged by the funding arrangements since 1996.

10.4 The overarching message was one of unprecedented challenge, leavened by tentative promise. The challenges in large part mirror those facing regional communities throughout Australia as they struggle to compete in a globalised environment based on competition and deregulation, industry restructuring and the concentration of wealth and resources in metropolitan areas. Reductions in Commonwealth funding and new funding arrangements have compounded these effects and threaten to undermine regional universities' capacity to provide the drivers for future economic and social development in some cases.

10.5 Promise comes from the increasing recognition by state and territory governments and local communities of the potential for universities to support future economic and social prosperity and from the scope for information and communications technology to overcome the tyranny of distance. This potential will not be realised without a policy and funding framework that supports regional universities and their productive engagement with their regions. In particular it is unlikely to be realised with the current approach to higher education funding, which is placing some regional universities at serious financial risk and restricting their capacity to develop innovative programs and linkages with their regions.

Why are regional universities important?

10.6 The Human Rights and Equal Opportunity Commission, reporting on the human rights of people in rural communities, found that access to education, including higher education, is a basic need of rural people.³ Education is now recognised as being one of the three factors, along with long life and a reasonable income, that are fundamental to positive human development.⁴ Lack of access to educational opportunities conversely leads to economic and social marginalisation. The Committee supports the principle of promoting equity of access to higher education for people in regional communities.

10.7 Local higher education facilities are not the only means of providing access to higher education for people in regional areas and it is clearly not practicable to provide regional facilities to serve all populations, particularly isolated areas with dispersed communities. The University of Western Australia, for example, reported that a planning meeting in 1997 had agreed that there was not a case for further campuses in Western Australia, but there was a case for better regional delivery of

3 House of Representatives Standing Committee on Primary Industries and Regional Services, *Time running out: Shaping regional Australia's future*, 13 March 2000, p.259

4 Parliamentary Library, Research Note 1999-2000, *The Human Development Report: A statistical profile of wealth and inequality*, 23 November 1999, p.1

higher education. While observing that it might be more cost-effective to subsidise people in regional areas of the State to study in Perth because ‘it would probably not cost very much more than entering into regional delivery,’⁵ they also recognise the advantages of providing facilities in regional areas wherever possible.

10.8 In recognition of the importance of access to higher education for individuals and communities, there has been a major expansion of regional campuses over the past ten years. There are now about 70 higher education facilities located outside the capital cities, ranging from small ‘shopfronts’ such as the Tamworth office of the University of New England to the Callaghan campus of the University of Newcastle with an enrolment of over 16,000.⁶

10.9 An increase in the number of regional campuses has made a major contribution to improving the physical access of people in rural and regional areas to higher education. There are now far fewer regional communities throughout Australia without reasonably close physical access to a higher education campus or learning centre.⁷ In Queensland, for example, where 50 per cent of the population live in regional areas, 40 per cent of students now study in one of the 26 campus sites where university education is available.⁸ This is a significant improvement on the situation in 1974 when 84 per cent of the Queensland student population was studying in Brisbane. Nevertheless regional Australia remains significantly disadvantaged in terms of access to higher education places,⁹ particularly in states such as Western Australia. The following table illustrates the relative provision of higher education places in capital city and regional areas in 1996.

5 Professor Robson, (University of Western Australia), *Hansard*, Perth, 2 July 2001, p.712

6 Dr Kim Jackson, Parliamentary Library, *Higher Education in Rural Australia, Research Note 1999-2000*, 7 December 1999, p.1

7 A Cumpston, R Blakers, C Evans, M Maclachlan, T Karmel, *Atlas of Higher Education: A community focus*, DETYA Occasional Paper series 01/A. March 2001, Part 2 Emergence of the learning community (<http://www.detya.gov.au/uniatlas/paper/ha2.htm>). Note however that there are also many communities - usually more isolated, inland communities with low density surrounding populations- without access to higher education facilities

8 Submission 339, Queensland Department of Education, pp.13-14

9 Dr Kim Jackson, Parliamentary Library, *Higher Education in Rural Australia: Research Note 1999-2000*, 7 December 1999, p.1

Table 10.1 Higher Education Student Places: metropolitan and regional areas (1996)¹⁰

States And Territories	Higher Education Student Places (EFTSU)			Student Places per Resident Population (EFTSU per 1000 persons)		
	Capital City	Regional Areas	State/Territory	Capital City	Regional Areas	State/Territory
NSW	101146	49504	150650	26.1	21.3	24.3
Vic	115473	23195	138668	35.2	18.2	30.4
Qld	55277	29216	84493	36.4	16.1	25.3
WA	45675	1086	46761	35.3	2.3	26.5
SA	36904	995	37899	34.2	2.5	25.7
Tas	6612	3968	10580	33.9	14.2	22.3
NT	2894	574	3468	35.2	5.8	19.1
ACT	15277		15277	49.6		49.6
Australia	379258	108538	487796	32.6	16.3	26.6

10.10 It has also been long recognised that universities outside metropolitan areas, and particularly those in regional areas, play a pivotal role in the economic, social and cultural life of their local communities. Regional universities contribute approximately \$2 billion to regional output annually.¹¹ Submissions from state government and local community representatives attest to the high importance that they place on regional universities as both major employers and hubs of growth and socio-economic development.

10.11 Arguably the relative importance of regional universities for their local communities has increased in recent years as other major service industries have disappeared and with the growing importance of the knowledge economy and life-long learning. At the same time, regional universities have also suffered some of the effects of the economic decline affecting large parts of regional Australia. As 'Jobs for the Regions' and a host of other reports explain, the rural sector has been at a considerable disadvantage in recent years, with margins squeezed, incomes dropping

10 Dr Kim Jackson, *Parliamentary Library Higher Education in Rural Australia: Research Note 1999-2000*, 7 December 1999, p. 2 Table 2

11 Dr Kim Jackson, *Parliamentary Library Higher Education in Rural Australia. Research Note 1999-2000*, 7 December 1999, p.1

and costs increasing.¹² Regional social capital is also being eroded with the withdrawal of many government and other services.¹³ Economic decline leads to declining populations. This had particular implications for regional campuses and universities, particularly those drawing a large proportion of their students from the local region. Reductions in student intakes affect universities' capacity to provide a broad range of programs, but the more narrow the range of program offerings, the greater the need for local students to seek higher education outside their local areas.

10.12 As discussed, state government submissions emphasised the importance of regional universities. While most states still devote limited administrative resources to issues related to higher education, as discussed in Chapter 4, there are signs of increasing policy and financial commitments. Governments in both Tasmania and the Northern Territory have increased their investments in their universities in recent years, in the case of Tasmania, under the umbrella of a partnership with the University of Tasmania, and in the case of the Northern Territory, to meet some of the costs of salary increases at the local university. The Tasmanian Government's investment in research at the University of Tasmania increased from \$903,776 in 1995 to \$5.006 million in 2000.¹⁴ The Northern Territory Government has contributed \$2-3 million dollars towards the operating costs of the Northern Territory University over the past two years. The Queensland Government had made a significant investment, in partnership with the Commonwealth, in the expansion of regional campuses in Queensland.¹⁵

10.13 Increased funding by state governments reflects both need and opportunity. As discussed in Chapter 6, the current funding formulae for research, provide an opportunity for state governments to leverage additional funding from the Commonwealth by investing in research. States also identified the need for supplementary funding in some cases to address serious financial problems in some universities or shortfalls in production of graduates in some areas.

10.14 The National Tertiary Education Industry Union identified the three main contributions of universities to regional development as being: providing education for students from rural and isolated areas; educating students in areas relevant to local needs; and as a hub of economic activity, employment, services, facilities and critical knowledge to support the development of their local communities.¹⁶ They argued that universities:

12 Submission 338, Serve-Ag, p.2

13 House of Representatives Standing Committee on Primary Industries and Regional Services, *Time running out: Shaping regional Australia's future*, 13 March 2000, p.260

14 Department of Education, Tasmania, Responses to Questions on Notice, 12 July 2001, Attachment 1, Table 1

15 Submission 339, Queensland Department of Education, p.10

16 Submission No. 283, National Tertiary Education Industry Union (NTEU), p. 40

contribute...to economic activity and job creation more efficiently than any other industry. Every dollar spent on education will generate a total of around two dollars in value added throughout the Australian economy, while for every million dollars of output in education, 35 jobs will be created.¹⁷

10.15 A similar view was put by the NSW Department of Education and Training, which argues that regional universities are essential to the economic and social development in regions because they:

- are major employers in the towns where they are located and inject significant levels of expenditure into local and regional economies, including from overseas students;
- act as accelerators in the development of regions by raising educational aspirations and participation in higher learning;
- provide the skills, knowledge, infrastructure and creativity to stimulate local industry and new business ventures which sustain local populations; and
- often play important roles in regional economic planning, contribute to local government and assist in social and cultural development initiatives more generally.¹⁸

10.16 Capital city universities play a similar role to regional universities in small states or territories such as Tasmania and the Northern Territory.

10.17 Submissions and evidence to the inquiry explained these contributions in more detail.

Regional universities' role as a population anchor

10.18 Universities in more remote areas provide an important 'anchor' to stabilise the population and, of particular importance, help to attract and retain more highly educated people. The University of New England estimated that of the 31,000 people who live in the Armidale-Dumaresq-Uralla area, at least 8,000 are there because of the university: the population of Armidale, which is now about 20,000, would be around 12,000 without the university.¹⁹ Access to undergraduate education and training opportunities help to attract and retain families and young people. Opportunities for continued professional development are also important in retaining skilled graduates, who can form the nucleus of knowledge-based social and economic developments.²⁰

17 Submission 283, National Tertiary Education Industry Union (NTEU), p. 43

18 Submission 358, NSW Department of Education, p.8

19 Submission 188, University of New England, pp.9-10

20 Submission 124, Northern Territory University, p.7

10.19 A Tasmanian community-business development organisation argued that regional facilities provide an opportunity to replace ‘imported,’ itinerant professionals with qualified local people who have longer-term commitments to their region. They also help to create a ‘critical mass’ of local people with university experience who can provide supportive communities for each other.²¹ There is some evidence to support the role of local universities in retaining skilled people in regional areas: a House of Representatives Committee inquiry into regional Australia heard that the great majority of graduates from the University of South Australia’s Whyalla campus had gained employment locally and remained in the region.²²

10.20 Absence of a university presence has the reverse effect. Representatives from the business community in the north of Tasmania explained how the closure of the University of Tasmania’s school of applied science in Launceston has affected the local community and economy. Students in the local area are no longer able to obtain training in the skills needed for the scientifically oriented industries in the region, including manufacturing, agricultural, forestry as well as small businesses in the IT and environmental sectors. This endangers the potential of those industries to survive and prosper, because it is difficult to attract graduates into rural and regional areas. Those who leave to study in capital cities are unlikely to return ‘thus depriving those areas of the intellectual capital, which is essential to the development of those regions.’²³

10.21 Retention of local graduates in regional areas also requires concerted action by universities and local communities. A recent DETYA report found, however, that too few universities and regions are investing in initiatives aimed at retaining greater numbers of local university graduates in their areas. The report identified a range of programs that could assist in building links between students and local communities and enhance graduate retention. These include job-designed degree programs with local employers, graduate entrepreneurship programs designed to foster new business start ups, work experience programs, mentoring initiatives and the local commercialisation of university-based research.²⁴

10.22 Universities need to work with local communities to help ensure opportunities for graduates to gain employment or make a living within the region. In most regional universities, however, as in most public universities, academic staff are already overburdened and finances are stretched to the limit. There is, for most, simply not enough time and money to invest in community-based initiatives, particularly as these are not recognised or rewarded by additional funding.

21 Submission 216, Cradle Coast Authority, p.2

22 House of Representatives Standing Committee on Primary Industries and Regional Services, *Time running out: Shaping regional Australia's future*, 13 March 2000, p.272

23 Submission 227, Business North, p. 2

24 A Cumpston, R Blakers, C Evans, M Maclachlan, T Karmel, *Atlas of Higher Education: A community focus*, DETYA Occasional Paper series 01/A. March 2001, Part 3 (<http://www.detya.gov.au/uniatlas/paper/chap3.htm>)

Access and participation

10.23 Regional higher education facilities play a key role in improving access and participation by students from rural and regional areas. A range of studies have found that participation in higher education by rural students across Australia is generally 50 per cent lower than in metropolitan areas:²⁵ participation rates decrease progressively the further one travels from metropolitan to rural and then more remote areas.²⁶ This pattern also holds true at the state level: for example the Victorian government estimated that the participation rate of students in regional and rural areas of Victoria is 50 per cent below that for students in metropolitan areas.²⁷

10.24 Local access or proximity of higher education appears to increase participation by rural students.²⁸ Regional universities draw a large proportion of their students from the surrounding areas and can help overcome the financial and psychological barriers to participation in higher education:

There are many potential barriers to access, but distance from home and costs of relocating are near the front. At a more fundamental level, higher education is for many an awareness issue. Regional universities have created a sense of ownership in their communities and a sense of accessibility in terms of educational aspirations that cannot be created any other way, in practical terms.²⁹

10.25 The 'demonstration' effect of local universities could be significant. The University of Western Australia observed that, since it had developed a small presence at Albany, the school retention rates in the region are increasing: 'students are lifting their horizons, and we think for the great sum of them that is a huge thing that we actually are doing.'³⁰

25 House of Representatives Standing Committee on Primary Industries and Regional Services, *Time running out: Shaping regional Australia's future*, 13 March 2000, p.258

26 S Stevenson, M Maclachlan, T Karmel, *Regional Participation on Higher Education and the Distribution of Higher Education Resources Across regions*, DETYA Occasional Paper series 99-B, June 1999, p.5

27 Submission 362, Government of Victoria, p.15

28 House of Representatives Standing Committee on Primary Industries and Regional Services, *Time running out: Shaping regional Australia's future*, 13 March 2000, p.260. See also Dr Kim Jackson, Parliamentary Library, *Higher Education in Rural Australia. Research Note 1999-2000*, 7 December 1999, p.1, reporting that the importance of local facilities for regional participation had been confirmed by a recent DETYA rural participation study

29 Submission No. 188, University of New England, p.4. These views echo those of a study by the Curtin University of Technology which found that factors determining whether rural and isolated students were interested in gaining tertiary qualifications included cost, availability of local employment and having to leave home. (House of Representatives Standing Committee on Primary Industries and Regional Services, *Time running out: Shaping regional Australia's future*, 13 March 2000, p.258)

30 Professor Deryck Schreuder (University of Western Australia), *Hansard*, Perth, 2 July 2001, p.713

10.26 States such as Queensland, where more than 50 per cent of the population live outside the capital city,³¹ therefore place a very high importance on the availability of rural and regional campuses. However a recent DETYA study cautioned that the importance of proximity in promoting participation should not be overstated: while proximity is a more significant determinant of participation rates in rural areas than in metropolitan areas, it is not necessarily the most critical factor. Much of the difference between participation rates in metropolitan and non-metropolitan areas appears to be explained by the way regional communities relate to the education system.³² The study by the Centre for the Study of Higher Education suggested that educational advantage and disadvantage are the result of a three-way intersection of family socioeconomic background, the characteristics of the community context in which people live and the physical distance from a campus.³³

10.27 The National Farmer's Federation (NFF) acknowledges the complexities underlying participation rates, but argues that the costs associated with living away from home will still be a barrier for many people from rural families, and should be addressed. It recommends that primary producers' farm assets should be exempt from the assets test (or receive a 100 per cent discount) for student income support and that the Government introduce an annual Tertiary Access Allowance of \$4,049 for students over the age of 16, based solely on geographical qualifications (that is, free of means and assets tests).³⁴ The University of New England also argues that the current income support arrangements are adversely affecting participation from people in isolated areas, with a decline in the number of students from isolated areas studying at the university, 'indicative of the fact that AUSTUDY does not assist asset-rich but cash poor primary producer families.'³⁵

10.28 The diversity of programs offered by regional communities is also an important element of access to higher education. This is a particularly difficult issue: it is clearly not viable for all regional universities, particularly those serving relatively small or dispersed populations, to provide the full range of course offerings on campus. On the other hand, access to a broad range of programs is essential if universities are to be able to meet the needs of the local communities. The University of New England (UNE) advised that, because it is geographically isolated:

The community expects the university to provide a comprehensive range of educational programs..neither students, nor staff, nor the public are willing

31 Submission 339, Queensland Department of Education, pp.13-14

32 S Stevenson, C Evans, M Maclachlan, T Karmel, R Blakers, *Access: Effect of campus proximity and socio-economic status on university participation in regions*, Occasional Paper Series 00/D November 2000, p.17

33 Submission 280, National Farmers' Federation, p.2

34 Submission 280, National Farmers' Federation, p.2

35 Submission 188, UNE, p.5

to tolerate rationalisations, particularly in a regional university...the industrial and community climate do not support restructuring.³⁶

10.29 As discussed elsewhere in this report, most universities have had to reduce course offerings and 'rationalise programs' because the 20 per cent reduction in the purchasing power of their operating grants, including the need to cover the costs of unfunded salary increases, has raised the viability threshold for many programs. The Northern Territory University has reduced its range of courses since 1996, in response to funding imperatives, but this is undermining its capacity to meet the educational needs of local school-leavers and mature age entrants. Some course reductions, including the closure of the English literature program, have generated community outrage.

10.30 DETYA's view is that universities, whether regional or otherwise, need to rationalise programs and replace those with declining or static enrolments with more popular programs so that they can live within their budgets. This stance ignores the special circumstances facing regional communities, including the expectation that they provide a comprehensive range of programs (given the absence of local alternatives), and their limited resources to cover the costs associated with changing staff profiles and developing new courses.

Employment and direct expenditure

10.31 In many regional areas universities are significant employers. In a number of major regional centres in Queensland, for example, the local university is *the* major employer.³⁷ The economic multiplier effect of such universities is therefore significant, as is the dependence of the local economy and community. The NSW Department of Education estimated that, taking into account wages, salaries, capital expenditure and all other operating expenses, the five regional NSW universities combined inject almost \$600 million directly into their regional economies each year; with flow-on production and consumption, university expenditure results in \$823 million value adding each year and sustains a total of 20,550 direct and indirect full-time equivalent (FTE) jobs in regional NSW.³⁸ The Victorian government estimated that the smallest regional university in Victoria, the University of Ballarat, provides an annual boost to its regional economy of around \$100 million per annum.

10.32 Individual universities could also have an important impact. The University of New England assessed its contribution to the local economy, 'directly and through multipliers' as around \$280 million annually as gross output to the local economy.³⁹ The University of Tasmania's submission estimated that every student who remains in Tasmania spends around \$12,000 annually on household living expenses, so that for

36 Professor Ingrid Moses (UNE), *Hansard*, Newcastle, 19 July 2001, p.1156

37 Submission 62, NTEU Queensland Division, pp.4-6

38 Submission 358, NSW Department of Education, p.17

39 Submission 188, University of New England, pp.9-10

every 100 EFTSU of student enrolments, there are 70 jobs created each year.⁴⁰ Conversely EFTSU reductions would translate into job losses; for every 10 per cent reduction in the university's annual income of about \$160 million there would be a loss of some 470 jobs throughout the state.

10.33 The contribution of regional universities is particularly critical to Queensland as the nation's most regionalised mainland state. James Cook University estimates that it contributes \$283 million annually to the economy of far north Queensland, and that without its presence, the local economy would contract by more than 4 per cent, and the labour force by more than 6.3 per cent. The University of Southern Queensland directly injects \$114 million per annum into the local economy, and is involved in a number of business partnerships in the region including training services and e-commerce initiatives.

10.34 The submission from Business North, a group representing businesses based in northern Tasmania argued that the Northern Tasmanian economy benefits significantly from the location of the Launceston campus of the University of Tasmania and the Australian Maritime College in the region. The two campuses provided 'employment across a wide range of skills' and also attracted students who contribute a significant amount to the economy for the provision of accommodation, food and entertainment.⁴¹

Social and cultural contribution

10.35 Universities provide a cultural as well as economic hub for their regions, improving the quality of life for the local population. As one witness observed, universities in towns such as Wagga, Bathurst, Albury and Dubbo are important cultural and sporting hubs so that, in university towns of modest size:

you have all the cultural activities that go on—anything from painting to theatre to music. These things are often generated and certainly enhanced by the presence of a tertiary institution there...⁴²

10.36 James Cook University emphasised the contribution that it makes to community leadership in North Queensland by participating in both the Townsville and Cairns Community Advisory Groups and by providing resources to the community that would otherwise not be available because of geographic considerations. It argued that the university helped to instil a 'sense of pride, and confidence, in the community.'⁴³ The Northern Territory University Students Union argued that universities serving regional and remote areas had the potential to 'massively enhance the life of people living in small and regional communities like

40 Submission 172, the University of Tasmania, p.14

41 Submission 227, Business North, p.1

42 Professor J. Pratley, *Hansard*, Sydney, 18 July 2001, p.1040

43 Submission 321, James Cook University Student Association, p.5

Darwin, Palmerston, Catherine, Tennant Creek, Maningrida, and the Tiwi Islands, Alice Springs and rural area people on farms and isolated communities.’ In the student union’s view, the importance of universities for their local communities could not be matched by the ‘sandstone’ universities in metropolitan centres.⁴⁴

10.37 A recent DETYA-commissioned report on higher education and regional issues found that universities could also contribute to the general governance of regional communities because, as independent ‘honest brokers’ with access to information, skills and networks, they could provide informed and independent advice for regional development organisations, local councils or other local institutions. A regional university could also:

take a leadership role on behalf of the region in policy and planning negotiations with external agencies as well as help to enrol local stakeholder interests in the strategy and marketing and promotion activities of the region. It may also provide office accommodation on campus for the region’s leadership team.⁴⁵

10.38 The Committee believes that that the social and cultural contribution that universities make to their communities is valuable and should be supported.

Focus on local needs

10.39 Many regional universities or regional campuses focused their activities on the needs of the local area in respect of both training and research. The NTEU identified over 50 campuses in regional locations providing study and research of direct relevance to economic activities in their regions. Examples included:

the Kalgoorlie campus of Curtin University of Technology, and the Gladstone and Emerald campuses of Central Queensland University which provide critical support to the development of skills and knowledge in the mining industry. Similarly, Marcus Oldham College in Geelong and the Roseworthy campus of the University of Adelaide provide educational support to local agricultural initiatives. A further example is the role of James Cook University in initiatives in environmental and ecological research in North Queensland. JCU’s work in Marine Biology is renowned as being critical to the preservation of the Great Barrier Reef, and is therefore of direct relevance to the maintenance of tourist revenue within the region. Each of these institutions are internationally recognised as providing skills, knowledge and experience which are critical to the development of the regions in which they are located.⁴⁶

44 Submission 218, Northern Territory University Students’ Union, p.7

45 A Cumpston, R Blakers, C Evans, M Maclachlan, T Karmel, *Atlas of Higher Education: A community focus*, DETYA Occasional Paper series 01/A. March 2001 Part 3; <http://www.detya.gov.au/uniatlas/paper/chap3.htm>

46 Submission 283, National Tertiary Education Industry Union (NTEU), p.45

10.40 The Queensland Government explained that many of its regional universities provided direct value-adding support to local industry: James Cook University through its environmental and ecological research, and capacity to contribute to the commercialisation of tropical bio-medical innovations; Central Queensland University provides technical assistance to the agricultural industry, and through its Gladstone and Emerald campuses, provides critical support to the mining and minerals processing industries; the University of Southern Queensland Wide Bay campus is directly involved in the development of a technology park; and the University of the Sunshine Coast has already established itself as a strong economic and cultural catalyst, influencing the plan for a new integrated district township development featuring a major technology park, and an innovation centre located on University land.⁴⁷

10.41 Universities in regional areas also play a major role in supporting local innovation by undertaking research on local issues: in Tasmania, the university is responsible for 32 per cent of research and development expenditure. The research facilities and infrastructure in local universities and campuses also assist local areas by providing access to services such as laboratory analysis that would not otherwise be available at reasonable cost.⁴⁸

10.42 Studies undertaken on the engagement of rural universities also suggest that there is a broad range of ways in which they can stimulate local development: through technology transfer; partnerships and research and development for local industry; technical services such as laboratories and business incubators; by facilitating exchanges between industry and communities; and by arranging practicums in local areas.⁴⁹ The international networks established by academics can also help to linking the region into the global market place.

10.43 Regional communities and industries can also provide valuable support to their local universities. Serve-Ag Pty Ltd, an agricultural science organisation based in Tasmania, advised the Committee that it assists the local agricultural science faculty on an informal basis by providing summer positions to undergraduates and by participating in projects of mutual benefit to the company, the faculty and undergraduates.⁵⁰

Importance for future economic and social development

10.44 The Committee was told that education and training opportunities in regional areas are more important than ever at a time when ‘increased participation in higher

47 Submission 339, Queensland Department of Education, pp.16-17

48 Submission 227, Business North, p.2

49 A Cumpston, R Blakers, C Evans, M Maclachlan, T Karmel, *Atlas of Higher Education: A community focus*, DETYA Occasional Paper series 01/A. March 2001 of Higher Education: A community focus. Part 3 (<http://www.detya.gov.au/uniatlas/paper/chap3.htm>)

50 Submission Serve-Ag Pty Ltd, pp.1-2

education is critical to transitional processes in the development of regional economies and communities.⁵¹ As the National Farmers Federation noted, a recent House of Representatives Committee examining regional issues had found that access to lifelong education and training opportunities is second only to access to information and communication technologies in shaping the future of regional Australia.⁵² In recognition of the increasing importance of regional universities and campuses for the future of surrounding communities, a number of other countries, including the United States and the United Kingdom are exploring policy initiatives to foster community based learning partnerships with education institutions.⁵³

10.45 The then Northern Territory government advised the Committee that it saw the local university as an essential component of its proposal to position the Territory as a regional centre of local and national strategic significance. The Territory needs the university to provide training and expertise to support future development proposals, such as the Port of Darwin and the Austral Asia Railway, growth in the mining and the oil and gas industries and the large defence presence and growing tourism and trade industries.⁵⁴ Another witness argued that the university played an essential role in supporting good government in the Territory.⁵⁵ The Tasmanian Government also made it quite clear to the Committee that the University of Tasmania is fundamental to the future economic and social development of the state. The Government and the University have developed a formal partnership agreement to provide a clear framework for co-operation and to enhance the university's capacity to contribute to state development.⁵⁶ The agreement recognises that an active partnership between the parties is central to identifying opportunities to maximise growth and to build on the state's economic and social strengths.⁵⁷ The high priority that the Government of Tasmania affords to higher education was also evident in its submission, signed by the Premier, and the high level representation at the public hearing in Hobart.

51 Submission 216, Cradle Coast Authority, p.2

52 Submission 280, National Farmers Federation, p.1

53 DETYA A Cumpston, R Blakers, C Evans, M Maclachlan, T Karmel, Atlas of Higher Education: A community focus, DETYA Occasional Paper series 01/A. March 2001 of Higher Education: A community focus. Part 2 Emergence of the learning community (<http://www.detya.gov.au/uniatlas/paper/chap2.htm>)

54 Submission 230, Northern Territory Department of Education, p.1

55 Submission 225, Mr Peter Toyne, p.6

56 The Partnership Agreement states that the parties 'acknowledge the important role which higher education plays in the social and economic development of the Tasmanian community.' and 'recognise that an active partnership between the parties is central to identifying opportunities to maximise growth and to build on the State's economic and social strengths'. The agreement identifies theme or priority areas for research as well as the need for university planning to be better informed by State government priorities for skill needs. (see <http://www.utas.edu.au/universitycouncil?PA.htm>)

57 Submission 172, the University of Tasmania, p.1

10.46 A recent government report also identified a growing expectation in regional communities that publicly-funded higher education institutions in their areas are more than just good ‘corporate citizens’: there is an expectation that they provide leadership, skills, infrastructure and other much needed physical, intellectual, cultural and social capital for the benefit of their communities.⁵⁸

10.47 DETYA has undertaken a range of reviews and studies in recent years to examine how universities can best contribute to the development of their regions. One clear message was the need for ‘regionalisation’ of program and activities,⁵⁹ and for close linkages between universities and regional communities.⁶⁰ The evidence suggests, however, that this goal is rarely achieved in practice: ‘local and regional involvement is generally patchy and roles are poorly defined.’ Few regional universities or campuses have a strategic, comprehensive, whole of institution engagement with their regions. Most communities believe that universities still do not have an adequate presence in the day to day issues confronting their region’s future; that links with key regional business and institutions are poor; that their activities are difficult to access by the community; and that activities are not tailored to local needs and opportunities. As a result, in many communities there is not, as yet, an embedded culture of support for the university.⁶¹

10.48 Regional factors, such as the level of local development planning and the calibre of regional leadership, are important determinants of the level of engagement, along with institutional factors, such as the universities’ capacity and commitment to become involved in their local communities.⁶²

Challenges facing regional universities

10.49 Regional universities face a number of difficult challenges. As indicated, they share many of the problems facing regional and rural Australia including, in some cases, a declining population base and the withdrawal of services. Many are also in serious financial circumstances as a result of funding policies that have reduced the purchasing power of operating grants and restricted growth in fully-funded places. This was not unforeseen. A 1998 DETYA report on universities’ financial statements envisaged that the reduction in operating grants would mean that:

58 DETYA A Cumpston, R Blakers, C Evans, M Maclachlan, T Karmel, *Atlas of Higher Education: A community focus*, DETYA Occasional Paper series 01/A. March 2001 of Higher Education: A community focus. Part 2 Emergence of the learning community (<http://www.detya.gov.au/uniatlas/paper/chap2.htm>)

59 *ibid.*

60 *ibid.*

61 A Cumpston, R Blakers, C Evans, M Maclachlan, T Karmel, *Atlas of Higher Education: A community focus*, DETYA Occasional Paper series 01/A. March 2001, Part 4 (<http://www.detya.gov.au/uniatlas/paper/chap4.htm>)

62 *ibid.*, p 4

universities with a high dependence on government funding may be more susceptible to financial difficulty. The [Deloitte Touche Tomatsu review of financial statements] noted that universities in this category were generally newer, more remote, located in smaller states, specialised in purpose, or last into a multi-university state capital.⁶³

10.50 The Committee heard that the higher education funding and policy framework is seriously damaging the diversity and quality of educational offerings at regional universities, their capacity to build a viable research base and, in some cases, their financial viability. The Government of Victoria noted that:

The Victorian Government is strongly committed to supporting viable campuses in regional and rural Victoria. We have made major contributions to their infrastructure. We have yet to see the Commonwealth convert their words about support for regional and rural areas into financial support.⁶⁴

10.51 The changed financial arrangements have hit regional universities particularly hard. As indicated in Chapter 3 of this report, most universities now need to rely on private income, including international student fees, to pay for part of their salary bill. Regional universities, however, generally have less capacity than metropolitan universities to attract fee-paying students and earn other non-government income. This reduces their scope to negotiate salary increases, in turn reducing their attractiveness to potential staff. In many cases it has also made their financial position even more precarious, in turn limiting their capacity to invest in innovation and contribute to their local communities. Reductions in course offerings in response to funding shortfalls lead to further loss of students, and the onset of a downward spiral. The effect of operating grant cuts on selected universities is shown in Table 10.2 following.

63 DETYA Higher Education Division, Higher Education Series, Report No 29, January 1998, p.1

64 Submission 362, Government of Victoria, p.34

Table 10.2 Effects of operating grant cuts for selected universities serving regional or outer metropolitan populations⁶⁵

Institution	% Change	Constant \$ change (\$000)	Economic impact on region (\$000)	Employment impact on region (jobs)
University of New England	-7.7%	-7004	-14057	-245
University of Tasmania	-6.5%	-7237	-14525	-253
Deakin University	-6.1%	-9194	-18452	-322
La Trobe University	-5.6%	-9573	-19213	-335
University of Ballarat	-4.7%	-1567	-3145	-55
Northern Territory University	-4.2%	-1474	-2958	-52

10.52 The current funding arrangements are of particular concern to Tasmania. The Committee heard that the ‘mobility rate’ (or percentage of school-leavers who are studying at universities outside of their home state) for students from Tasmania had increased from 15.2 per cent in 1995 to 18.7 per cent in 1999 (over which period the national mobility rate had increased only marginally from 9.1 per cent to 9.4 per cent).⁶⁶ This increase is directly attributed to the cap on growth of Commonwealth-funded places over the past few years, leaving the University unable to respond to the growing demand for higher education flowing from increased school retention rates. The resultant loss of nearly 500 young people from the island is a ‘crisis’ which was contributing to demographic decline and seriously jeopardising Tasmania’s future economic development as an ‘intelligent island’:

The limited opportunities for Tasmanians to study at their ‘home’ University are contributing to broader demographic and economic problems for the State... The net migration losses of young adults in the key family formation age groups is clearly affecting Tasmania’s rate of natural increase and contributing its current population decline.⁶⁷

10.53 The University of New England told the inquiry that over recent years it has experienced severe financial difficulties because of the 6 per cent reduction in the forward estimates of operating grants and the lack of appropriate subsidisation of salary increases.⁶⁸ The diversity of teaching has been compromised and the quality of

65 Submission 283, NTEU, p.45

66 Department of Education, Tasmania. Response to Question on Notice. 12 July 2001. Attachment 3

67 Submission 172, the University of Tasmania, pp.6-7

68 Submission 188, University of New England, p.1

teaching is only being maintained by a workforce that is pushed to the limit.⁶⁹ The University had been under serious financial pressure for some time. The decline in demand for agricultural courses, an area in which the university had specialised, has affected the university's capacity to meet its target load for fully-funded places, further increasing financial pressures. While DETYA asserts that it is up to the university to resolve the problem, including by offering courses in demand, rather than those that the staff preferred to teach, such an approach conveniently glosses over the difficulty that universities such as UNE face in 're-profiling' their staff and course offerings to meet changing market demands. Large-scale redundancies, for example, are costly and perhaps beyond the means of cash-strapped universities; new departments cannot be built from scratch in the course of a year.

10.54 Witnesses were unanimous in the view that current funding policies and arrangements premised on the private sector contributing a significant proportion of basic operating costs present major problems for regional universities. In the case of the Northern Territory University funding constraints have inevitably led to course reductions as the university attempts to reduce costs; this, in turn, is leading to a loss of demand. Additional funding from the Territory government had been necessary to meet some wages and basic operating costs because:

there are limited opportunities to increase revenues from non-government sources in the Territory. There is no large corporate presence or headquarters in the NT, and large national and international companies tend to treat places like Darwin and Nhulunbuy as staging points, adopting a 'fly in fly out' approach for staff, unless there is a readily available and suitably trained local employment pool. Therefore it is more difficult to attract private funding to a remote institution like NTU.⁷⁰

10.55 The Committee was advised that the private sector does not invest in NTU to any great degree and that the NTU is in the second lowest quintile of universities in terms of non-government earnings.⁷¹

10.56 The Batchelor Institute of Indigenous Tertiary Education in the Northern Territory argued that its institutional characteristics and research profile do not denote obvious short- to medium-term economic profitability from joint ventures or sponsorships (apart from small community-based activities, often associated with our programs); and, at this stage, the major research interests are in fields not normally associated with commercial activities. Institutions such as Batchelor Institute, particularly those which serve remote areas or disadvantaged population groups, cannot therefore rely on market-driven funding.⁷²

69 Submission 188, University of New England, p.2

70 Submission 230, Northern Territory Department of Education, p.5

71 Submission 218, Northern Territory University Students' Union, p. 21

72 Submission 170, The Batchelor Institute of Indigenous Tertiary Education, p.3

10.57 The Cradle Coast Regional authority from northern Tasmania also argued that regional areas often lack the critical mass of commercial activity needed to generate significant private funding opportunities:

On this basis, across-the-board policies based on assumptions of increased private funding for universities will create comparative disadvantages for universities in regional areas.⁷³

10.58 Regional universities (with some exceptions) obtain a lower proportion of their revenue as 'earned income' than do metropolitan universities. While the average proportion of earned income, Australia-wide, was 33 per cent in 1999, the proportion for UNE was 22 per cent; for Southern Cross University it was 21 per cent; for the University of Western Sydney it was 25 per cent; for the University of Ballarat it was 27 per cent; for James Cook University it was 26 per cent; for the University of Southern Queensland it was 26 per cent; for the University of the Sunshine Coast it was 9 per cent; for the University of Tasmania it was 18 per cent; for Batchelor Institute of Indigenous Education it was 8 per cent; and for Northern Territory university it was 24 per cent.

10.59 As with universities across Australia, students at regional universities expressed concern that the resources spent on marketing and other measures to increase income from international students, is having an adverse effect on core teaching areas.⁷⁴ Unlike some of the 'Group of 8' universities, few regional universities have access to any discretionary funding from endowments or other sources for use in developing this market.

10.60 As discussed in Chapter 6 of this report in some detail, changes to research funding and policy and particularly the new Research Training Scheme, will seriously disadvantage many regional and outer-metropolitan universities. The removal of 'gap' places and the changed arrangements for higher degree places affect newer institutions the most, as they have made the most liberal use of gap places to develop their research profile: Charles Sturt University for example, will lose 30 per cent of its places, reducing its capacity to address the many regional problems. This is seen to be 'unfair and unjust.'⁷⁵

10.61 The Northern Territory University also expressed concern about the effect of the new arrangements for the University's capacity to service the research needs of the Territory. It argued that the need for research in the territory on issues of special significance to the territory is self evident, and the importance of research (and development) to the growth of the economy is the same as in other jurisdictions.⁷⁶

73 Submission 216, Cradle Coast Authority, pp.1-2.

74 Submission 321, James Cook University Student Association, p.5

75 Submission 213, Professor J. Pratley, p.3

76 Submission 124, Northern Territory University, p.5

10.62 As discussed in Chapter 3, the current funding arrangements give little recognition to the structural disadvantages facing regional universities, such as: smaller scale of operation; location costs; higher student numbers from categories of disadvantage; inability to provide courses needed to fill job shortages in the local area; and lack of funding for transition programs for undergraduate students.⁷⁷

10.63 It is often difficult to provide the critical mass needed for regional campuses to be viable. Attracting high quality staff is a major problem, particularly for small campuses with limited career paths.⁷⁸ Regional and rural faculties tend to have a staff turnover higher than their metropolitan counterparts.⁷⁹ They also find it difficult to retain staff because they cannot offer access to the same research or promotional opportunities as metropolitan universities.⁸⁰ The Northern Territory University advised the Committee that staffing is ‘generally thin’ and:

barely sufficient to provide programs of reasonable breadth and allow staff to attend to scholarship and research activities. In some cases this can lead to difficulty in meeting professional accreditation requirements. In some areas of low demand, staff numbers are insufficient to sustain the academic and scholarly atmosphere normally expected in a University.⁸¹

10.64 The small size of some universities also makes it difficult to offer a full range of programs, particularly with current funding levels. The Northern Territory University is one of the smallest universities in Australia. As a result, it suffers from two diseconomies of scale: the inability to spread fixed costs over a large number of students; and higher variable costs per course due to the lower student numbers in each course.⁸² Fluctuations in demand are particularly difficult in such circumstances.

This is a critical issue for regional universities, and especially for one as remote as NTU, where the solution of dividing up low demand areas among universities in close proximity to maintain a service is not applicable. A related issue is that it is difficult to respond to new areas of demand or to develop new markets when vital funds are tied up in non or barely viable areas.⁸³

10.65 Remoteness is another source of disadvantage. The NTU noted that potential recruits are often deterred by the perceived locational disadvantages of the Territory: lack of access to colleagues, limited availability of facilities for families, distance from relatives, travel requirements and the high cost of living. Regional and remote

77 Submission 362, Government of Victoria, pp.15-16

78 *ibid.*, p.16

79 *ibid.*, p.28

80 *ibid.*, p.34

81 Submission 124, Northern Territory University, p.4

82 Submission 230, Northern Territory Department of Education, p.3

83 Submission 124, Northern Territory University, p.3

universities need to be able to offer attractive remuneration packages to offset these disadvantages,⁸⁴ yet under the current enterprise bargaining system, their poorer financial circumstances mean that salary increases are likely to be less than in metropolitan universities, further reducing their capacity to compete.⁸⁵ The NTU recommended a range of proposals or incentives to address this problem, including additional tax relief. They also suggested an examination of enterprise bargaining to determine whether rural and regional institutions have been able to maintain salaries and conditions that are competitive with their metropolitan counterparts.⁸⁶

10.66 The Queensland Government estimated that the cost of service delivery for regional campuses is 30 to 40 per cent higher than for metropolitan campuses. As discussed, breadth of program offerings is a particular problem: regional universities cannot afford to offer the full range of disciplines, in part because they do not have the funds to cross-subsidise less popular courses.⁸⁷ The remote locations of Queensland's regional institutions also present particular difficulties with access to crucial communications technologies and infrastructure.

10.67 The 'one-size-fits-all' funding formula was seen as particularly disadvantaging regional universities, because it takes no account of these diseconomies of scale. Universities that served large student populations classified as disadvantaged (for example, one submission quotes a figure of 85 per cent of the students at the University of Ballarat being in one or more of the equity groups of disadvantage)⁸⁸ are doubly disadvantaged. There has been some recognition of the higher costs facing the Northern Territory University, with the university receiving a loading of approximately 20 per cent additional funding to compensate for cost disadvantages associated with remoteness and low population density. The University has argued, however, that this loading is inadequate, and fails to take account of factors particularly relevant to the Territory, such as the high cost of travel and recruitment, or of significant diseconomies of scale.⁸⁹

10.68 Many universities serving regional areas also suffer from historical funding disadvantages due to their former status as Colleges of Advanced Education or Teachers Colleges. They have not had access the more generous funding levels that had allowed the 'pre-1987' universities to develop a strong research capacity.⁹⁰ Their funding base also tends to reflect their pre-1990 course composition, which, at that time, was often heavily weighted to lower cost courses such as teaching. While many had shifted their course profile towards areas such as health sciences and computing in

84 Submission 124, Northern Territory University, p.6

85 Submission 124, Northern Territory University, p.7

86 Submission 124, Northern Territory University, p.7

87 Submission 339, Queensland Department of Education, p.10

88 Submission 362, Government of Victoria, p.15

89 Submission 124, Northern Territory University, p.3

90 Submission 213, Professor J. Pratley, pp.2-3

line with changes in demand, they have not been compensated for the increase in costs associated with this new discipline mix. Professor Pratley, in his evidence to the inquiry, argued that:

The post-1987 institutions have evolved significantly in the 1990s and the weighted rating should reflect the course profiles operating in 2001 and beyond.⁹¹

10.69 Professor Pratley also argued that regional universities' financial disadvantage translated into: reduced staff levels; reductions in purchases and maintenance of equipment and investments in libraries; and a reduced capability to respond to new opportunities.⁹²

10.70 Regional universities and the regional campuses of metropolitan universities have been beneficiaries of expenditure under the Capital Development Pool (CDP). Allocations under the CDP are said to reflect government priorities in terms of addressing the needs of regional areas and campuses, increasing access in population growth areas and areas of low participation and improving collaboration between institutions.⁹³ The Committee welcomes this priority and the funding that will flow from it. However it also notes that the recent announcement of \$40 million in these funds to be allocated to universities in 2004 - money that universities would normally expect to receive and have received for the past three years, but which is normally announced in late December⁹⁴ - is another example of managing perceptions rather than substance.

Telecommunications and regional universities

10.71 Telecommunications and other technology offer the potential for overcoming some of the barriers to provision of higher education in regional areas. This is particularly important for regional universities, many of which have relatively large external enrolments and which rely on the internet for access to information held in metropolitan areas and to provide services for local industry and off-campus students.

10.72 This is another area where regional universities face serious disadvantage: the costs of access to bandwidth for information and communications technology for regional universities are approximately triple the costs for metropolitan universities. This also inhibits universities' capacity to establish virtual cross-sectoral campuses and better serve those without local access to a higher education facility.⁹⁵ The submission from the Australian and New Zealand Association for the Advancement of

91 Submission 213, Professor J. Pratley, p.1

92 Submission 213, Professor J. Pratley, p.1

93 The Hon Dr David Kemp MP Media Release, *\$40 million in funding for universities*, K217, 5 September 2001

94 NTEU Media Release, *Kemp promises money in 2004 - but where is the money that universities need now?* 5 September 2001

95 Submission 328, NSW Department of Education, p.17

Science (ANZAAS) explained that a wide bandwidth is needed to support high quality education over the internet (and enable the use of sounds, graphics and so on).⁹⁶ The UNE argued that it, like the region, is disadvantaged by the lack of high bandwidth connectivity: of the promised 34Mb only 8Mb have been realised but the government subsidy will cease after two years and UNE will then be forced to pay much more than its urban counterparts.⁹⁷ Lack of affordable bandwidth in regional areas also inhibits the university's capacity to assist industry, including the agricultural industry: unless university's business partners also have access to wide bandwidth at reasonable cost, then productive technology-based assistance would be constrained:

This is a serious impediment for economic development in the bush, and yet there are so many ways in which enhanced bandwidth could be used effectively by regional industries...For universities to be truly effective in bringing about beneficial improvements for regional economic growth it is necessary for regional business operations to have sufficient bandwidth available to them. We recommend that this matter be referred to the Minister for Transport and Regional Services.⁹⁸

10.73 James Cook University also argued that, notwithstanding the funds provided by the Government (presumably under the Capital Development Pool funds):

the impact of the costs of new technology, and the need for high bandwidth access to the internet, are significantly hampering the progress of regional institutions such as JCU university, which are not currently serviced at an appropriate level. Even if the bandwidth were currently available, the exorbitant costs are a major deterrent.⁹⁹

10.74 The Committee notes that the recent allocation of funds under the CDP will include some assistance with networking but falls short of providing the full level support needed by regional universities in respect of bandwidth.

Recommendation Thirty-Seven

The Committee is concerned that present resources for access by universities in regional areas to high bandwidth and telecommunications are inadequate and recommends that the Government provide extra assistance to address this problem.

The way forward

10.75 As discussed in Chapter 2, there is a need to develop a coherent strategy for higher education that takes account of the broader community and social contributions

96 Submission 208, Australian and New Zealand Association for the Advancement of Science, p.8

97 Submission 188, University of New England, p.2

98 Submission 188, University of New England, p.2; p.8

99 Submission 184, James Cook University, p.4

of universities, including to local economies. The current funding model also needs to be reviewed to examine areas where regional universities may be disadvantaged. Submissions to this inquiry and a range of recent reports on higher education and on regional issues support these points.

10.76 The Queensland Government argued forcefully that higher education and regional development policies need to be integrated to maximise the contribution of regional universities to their local communities.¹⁰⁰ The Cradle Coast Authority also recommended that regional university campuses should be recognised as integral components of any future Commonwealth Government strategy or policy platform for development in rural and regional Australia.¹⁰¹

10.77 The report of the House of Representatives Standing Committee on Primary Industries and Regional Services entitled *Time Running Out: Shaping Regional Australia's Future* concluded that regional universities warranted special support and that the Commonwealth should review the funding formulae to take greater account of regional universities' contribution to regional economic development. It found that for regional universities to prosper and provide positive impetus to their communities, Commonwealth policy must become more flexible and supportive.

10.78 The University of the Sunshine Coast (USC) suggested that some relatively straightforward changes to the current funding arrangements could assist regional universities to generate economic growth and development in their region. These include amending the performance criteria for core operating grant funding to recognise connections to the regional community which explicitly enhance competitiveness and adding a regional dimension to specific purpose program funding so that there is a financial incentive for universities to target their research and teaching to regional priorities. USC argued that funding criteria should be weighted in favour of non-metropolitan universities in view of their potential to contribute to regional economic development, as well as for equity and social justice considerations.¹⁰²

10.79 The NTEU also suggested a range of options to address the needs of regional universities, including regional disadvantage funds, providing resources to regional universities, and supporting CRCs involved in projects aimed at increasing participation in education, economic development and job creation in regional Australia.¹⁰³

100 Submission 339, Queensland Department of Education, p.5

101 Submission 216, Cradle Coast Authority, p.1

102 Submission 101, the University of the Sunshine Coast, p.2

103 Submission 283, National Tertiary Education Industry Union (NTEU), p.46

Conclusion

10.80 The Committee agrees that there is a need to review the funding model with particular reference to the special needs and circumstances of regional universities (Chapter 3 refers). There is also a need for a strategy for the development and support of regional universities and students living in regional areas. This strategy should form part of the broader review of higher education and include issues such as the need for a diverse range of programs at regional universities and some campuses and the role of technology and income support in facilitating access to higher education by students from isolated areas. The review of the funding formulae should include consideration of a range of options for supporting regional universities. State governments would clearly need to be closely involved in this process.

Recommendation Thirty-Eight

The Committee recommends that the need to develop a strategy for development and support of regional universities and students living in regional areas be referred to the proposed advisory body, in consultation with state governments.

Higher Education As an Export Industry

The growth of international education and its revenues, particularly international Business education, has been *the* major trend of the last decade in Australian higher education.¹⁰⁴

10.81 This part of the chapter examines the contribution of the international higher education program to Australia's export performance. Some of the key characteristics of the program are examined along with the benefits and problems associated with the current arrangements.

10.82 The objectives of the international education program are to: generate export income; provide fiscal relief for the government by providing an alternative source of revenue for public universities; and to increase and broaden our engagement with the region and more broadly the international community.¹⁰⁵ The Committee found that the first two objectives had been met, although, as discussed in Chapter 3, there are questions as to the overall profitability of the international student program. However there are some serious doubts about the achievement of the third objective.

10.83 On a number of measures, the growth of the international education program is one of the success stories of the last ten years. Australia is one of the leading providers of international education in the world, with the third largest number of enrolments in the English-speaking world after the United States of America and the United Kingdom. We have the highest proportion of international student enrolments in higher education after Switzerland.¹⁰⁶ The export of education contributes \$3.7 billion to the economy annually¹⁰⁷ and is our fifth most important export. Higher education is directly responsible for almost half, or \$1.6 billion,¹⁰⁸ of this market. It also indirectly contributes to growth in the market for English and other university preparatory courses.

10.84 The income from international students comprises revenue from fees (\$786 million for universities in 1998-99), direct expenditure on goods and services (\$773 million) and flow on expenditure such as that related to family visits (\$243 million).¹⁰⁹

10.85 Even at the state level, the income from overseas students is significant. In Western Australia for example, education is the seventh largest export industry and is projected to grow by 15 per cent a year to net \$800 million dollars by 2005.¹¹⁰ In

104 Submission 81, Professor Simon Marginson, pp.12-18

105 *ibid.*

106 *ibid.*

107 The Hon. Dr David Kemp MP, Media Release, *International Student Numbers Reach Record High in 2000*, K209, 3 September 2001

108 Submission 264, University of Adelaide, pp.6-7

109 *ibid.*

110 Submission 345, Confidential submission, p.11

Victoria, international education is also considered an important source of export income, with export earnings for Victoria of about \$800 million from higher education.¹¹¹

10.86 Since arrangements were introduced in the 1980s for international students to pay full fees for study at higher education institutions, the international education program has grown to become an integral part of higher education in Australia. All but one of Australia's 37 public universities include a policy of internationalisation as part of their mission statements and all include internationalisation in their corporate plans.¹¹²

10.87 The AVCC argued that the international student program is 'one of the major achievements of Australia's universities' over the past fifteen years, with international students contributing significantly to enhanced mutual understanding and cultural enrichment. Fee income from these students had supported many courses that might not otherwise have been offered.¹¹³ The NTEU also acknowledged that the participation by international students in Australian universities has 'added both quality and diversity to students' educational experience, and to Australian society more generally.'¹¹⁴

Characteristics of the international student program

10.88 The growth in the international student program over the past fifteen years has been constant and accelerating, particularly in the last six years. Table 10.3 illustrates the increase in student numbers since 1990: numbers increased at an average of 5,000 annually prior to 1995, and then by around 10,000 annually from 1996.

10.89 The number of international students and the associated revenues have grown faster than those associated with domestic students over the past few years. A comparison of international and domestic student enrolments over the past ten years demonstrates that international student numbers have doubled over the past five years while domestic enrolments have increased by less than 10 per cent. A similar trend prevailed over the period 1995-1998 as shown in Table 10.4.

111 Submission 326, Government of Victoria, p.9

112 K Back, D Davis, A Olsen, *Internationalisation and Global Strategies*, IDP Education Australia, September 1996, at <http://www.detya.gov.au/archive/highered/eippubs/eip9615/front.htm>

113 Submission 315, AVCC, p.6

114 Submission 283, National Tertiary Education Industry Union (NTEU), p.22

Table 10.3 On-shore international students * as a proportion of all higher education students, 1989 to 2000¹¹⁵

Year	international students	domestic students	all students	international students as a proportion of all students
1989	21,112	419,962	441,074	4.79
1990	24,998	460,068	485,066	5.15
1991	29,630	504,880	534,510	5.54
1992	34,076	525,305	559,381	6.09
1993	37,152	538,464	575,616	6.45
1994	40,494	544,941	585,435	6.92
1995	46,187	557,989	604,176	7.64
1996	53,188	580,906	634,094	8.39
1997	62,996	595,853	658,849	9.56
1998	72,183	599,670	671,853	10.74
1999	83,111	603,156	686,267	12.11
2000	95,540	599,905	695,445	13.74

* excludes on-line distance students, students in off-shore campuses, 'twinning' enrolments etc.

Table 10.4 Changes in student load and income, international and domestic students in Australian higher education institutions, 1995 - 1998¹¹⁶

Item	1995	1998	Change: 1995-98
fee income from international students	\$400.9 mill.	\$613.0 mill.	+ 52.9%
international student load	39,367	68,109	+ 73.0%
income from governments and the HECS	\$4828.6 mill.	\$5103.1 mill.	+ 5.7%
domestic student load	422,720	460,474	+ 8.9%

115 Submission 81, Professor Simon Marginson, pp.12-18, Table 5

116 Submission 81, Professor Simon Marginson, pp.12-18, Table 6

10.90 The imbalance in the growth of international and domestic students is, as discussed in Chapter 3, largely the result of the limits to growth in Commonwealth fully-funded domestic enrolments since 1996 and the reduced purchasing power of operating grants, with the result that universities are increasingly dependent on ‘earned income’, in most cases from international student fees, to meet some of their basic operating costs.

10.91 A notable feature of the international education program in Australian public universities is that enrolments are heavily concentrated at the undergraduate and postgraduate coursework levels and in a narrow range of disciplines such as business education, information technology¹¹⁷ and, to a lesser extent, engineering. There has been a marked decline in the proportion of international students studying for higher research degrees, a reflection of the fact that the recent growth in postgraduate international students has been mainly in coursework programs.¹¹⁸

10.92 The low and declining proportion of international student enrolments in higher degree programs stands in contrast to the situation in many other advanced countries. Talented applicants for higher research degrees are in great demand worldwide. This is particularly the case in the United States, which has a much higher proportion of its international student cohort at the higher degree level.¹¹⁹ Universities in the United States, and indeed many ‘world class universities’ provide inducements for the best graduate research students. However the conditions applying to higher degrees in Australia, including Fringe Benefit Tax and visa requirements, are seen as a deterrent rather than an incentive for international students.¹²⁰

10.93 The argument was put to the Committee that, as a result of this imbalance, Australia is failing to gain the maximum benefit from its international education program. The Australian Academy of Science expressed concern that the reduction in the proportion of PhD students from Asia may, in the longer term, undo some of the benefits of the Colombo plan, presumably because there has been a reduction in the proportion of potential leaders (in government, business and academia) studying in Australia. Professor Simon Marginson argued that international research students could also make a positive contribution to Australian industry through their research work and some could, if they wished, make highly desirable migrants.¹²¹

10.94 Professor Marginson suggested that, if it wished to attract a broader international student profile, Australia might need to consider a pattern of selective subsidies (scholarships and similar). He suggested that the United States model may be appropriate here:

117 Submission 81, Professor Simon Marginson, pp.12-18

118 *ibid.*

119 *ibid.*

120 Submission 335, Australian Academy of Science, p.11

121 Submission 81, Professor Simon Marginson, pp.12-18

Though there are many private fee-paying international students, American international education is not run as a commercial operation. The international education program is understood as subject also to foreign policy objectives, and to the academic priorities of universities. The American program is subject to a range of subsidies. It is not used to substitute for domestic incomes, but is a welcome adjunct to the education of domestic students. The USA has largely avoided conflict between the needs of domestic education and the development of commercial international education, that appears to have become a defining feature of Australian higher education.

10.95 CPA Australia also argued that there should be more international students undertaking higher degree studies in Australian universities. Some form of assistance to highly qualified overseas candidates for this purpose 'could well create a relationship between potential Australian and overseas business leaders of benefit to Australia's future.'¹²²

10.96 There are also worrying signs that domestic teaching capacity is being distorted by the combination of increasing reliance on international student fees and the narrow educational preferences of international students. Previous chapters have examined the marked reduction in course offerings and staff levels in core disciplines such as the humanities and many of the enabling sciences, while there had been a marked growth in courses in business administration and related areas. Professor Marginson also identified problems with this aspect of the international education program:

The outcome has been a higher education system where two thirds of the international graduates are from Business Studies, and Science including Computing – compared to just over one third of domestic graduates...In turn this means that in a environment which is tight in financial terms, the Business disciplines and Computing receive a disproportionate share of the revenues additional to the system. These fields can develop and take new intellectual and pedagogical initiatives to an extent not possible to other fields. While this is partly due to their increased popularity among domestic students, it is largely a function of the revenues generated in international education. Correspondingly, the fields that lose out in resource terms...are those that in relative terms are more popular with domestic students than with international students, such as Arts/ Humanities/ Social Sciences, Education, Law.

10.97 The combination of universities' reliance on income from international student fees, the limited growth in fully-funded domestic places and the preferences of international students has also meant that most of the *growth* in IT enrolments and completions since the early 1990s has been amongst full fee-paying international students. International student IT graduates increased by 1600 between 1993 and

122 Submission 176, CPA Australia, p.7

1998, while the increase in domestic IT graduates was only 897.¹²³ Since there is no lack of demand for IT places from qualified domestic students, this pattern suggests that universities prefer to allocate the limited places that are available (the limits in some cases being due to the difficulty in recruiting qualified academic staff in this discipline) to fee-paying students. As Drs Dobson and Birrell have pointed out, this restricts universities' capacity to meet the domestic industry demand for IT graduates.

10.98 The development, and in some cases 'repackaging' or 'rebadging' of courses to meet the needs and interests of the international market is also diverting resources away from core teaching activities, as well as distorting course offerings. More resources are being devoted to the development of the international market, again at the expense of core teaching activities and adding to already punishing workloads. Representatives of the education faculty at the University of Tasmania noted that:

Outstanding efforts have been made by Faculty staff to develop international programs, both in Tasmania and overseas, notably in Vietnam and Indonesia. These goals have largely been achieved above the normal workload of the staff members concerned and, while they generate some funding, without a more adequate staffing provision it is difficult to see how they can be maintained and expanded, by staff who are already overstretched.¹²⁴

10.99 The Committee also heard that domestic students are being disadvantaged in terms of access to residential accommodation, because universities prefer to give priority for on-campus accommodation to international students as a means of attracting a larger share of the market.¹²⁵ One submission reported that, in 2000, there were fewer Australian students living on the Newcastle campus than in 1994, although the total number of student residential places had increased by about 20 per cent in the intervening period, because of 'quota' arrangements favouring international students. The great majority of domestic students disadvantaged by this current policy are from rural areas, often from families with limited resources. All residential students, domestic and international, are levied with a fee to pay for the costs of future residential development, although the quota arrangement means that access is not equally available. The warden of a university hall concluded that:

financial pressures placed on University Administrations by recent Government policy appears to have resulted in what (in my view) is the unconscionable action of taxing Australian students to live in taxpayer funded accommodation in order to build residential accommodation for international students.¹²⁶

123 Submission 130, Dr Ian Dobson and Dr Bob Birrell. Part 2: Australia's Universities and the Information Technology Workforce Shortage, p.3

124 Submission 132, Faculty of Education, University of Tasmania, p. 8

125 Submission 24, Dr Michael Blackmore, pp1-3

126 *ibid.*, p.3

10.100 The University of New South Wales, which has been at the forefront of the international education program, and where international students now comprise 25 per cent of the student body, has recently announced that a halt to - or at least pause in - any further growth. They have cited concerns with the pressure on facilities, including classrooms, as one reason for this moratorium. The Committee notes, in this context, that there may be very real limits to universities' capacity to absorb international fee-paying students without adverse effects for both those students and domestic students. It is possible, and even likely, that those limits are being reached in many campuses around Australia, with obvious implications for funding arrangements premised on continued growth of this source of income.

Entry and assessment standards

10.101 Entry and assessment standards for international students and fee-paying students in general have an important bearing on the academic performance of students and their capacity to benefit from their studies. They also have implications for the reputation of Australian higher education and its potential to earn export income. Allegations of soft marking of fee-paying students have been discussed in Chapter 5. This chapter examines the implications of universities' entry and assessment standards for higher education as an export industry.

10.102 International students come from a range of different educational systems and it may be difficult to assess their level of preparation for Australian degree programs. The AVCC argued, however, that Australian universities have developed a comprehensive knowledge of applicants' overseas qualifications over the past fifteen years and also have access to the National Office of Overseas Skills Recognition for advice if necessary.¹²⁷ It also emphasises that it is important to ensure that only those international students who have reasonable chances of success are enrolled, because of the serious financial and cultural consequences of failure for the students concerned.

10.103 RMIT agrees that it is important to ensure a consistency between the entry requirements of overseas and domestic students, given that they are usually enrolled in the same programs. It also highlights the need for appropriate English language competence standards for international students.¹²⁸ In this regard, the recent raft of legislation tightening the regulation of the international education program - in response to the campaign initiated by the Labor Party - is welcome. It is, however, too early to tell the long-term impact of the legislation and the national code of practice, and, in particular, whether they will provide the degree of protection required by both students and the Australian community. The new student visa arrangements only came into force in 1 July 2001 and the regulatory framework governing the registration of providers, along with the new quality assurance structures and agreements, are also in the fledgling stage. Information from DIMA indicates that there have been high refusal and visa cancellation rates in the past year.

127 Submission 315, AVCC, p.10

128 Submission 281, RMIT, p.20

10.104 On the issue of entry and assessment standards, the AVCC stated that Australia is one of the few countries with a code of practice concerning international students. The AVCC *Code of Ethical Practice in the provision of Education to International Students* makes specific reference to admission and assessment and emphasises that academic performance is the only criterion to be considered in assessing any student's eventual success or otherwise in their course.¹²⁹ The AVCC also reports that universities generally use internationally recognised tests, such as the International English Language Testing System (IELTS) and the Test of English as a Foreign Language (TOEFL) and some universities also use their own rigorous assessment tests, to ensure appropriate English standards.¹³⁰

10.105 However a range of submissions and evidence to the inquiry raised concerns about how rigorously these standards and principles are applied in practice.

10.106 The submission from the Monash Student's Association claims that there are deficiencies in the recruitment and support of international students, which are manifest in poor academic progress. English language testing is a particular problem area. The students argue that current testing arrangements are 'grossly inadequate' because students are being tested on their proficiency in conversational rather than academic English. The Association's students' rights unit estimates that 80 per cent of students seeking their advice in relation to poor academic performance during the past year were international students, many of whom were at risk of exclusion from their courses due to poor performance.¹³¹ The University of Technology Sydney (UTS) Students Association also claims that UTS has not provided the level of support needed by international students and this is manifest in a doubling of the number of international students seeking advocacy or assistance from the association in the past year.¹³²

10.107 The UTS Students Association also identified problems with English language testing for students at UTS, claiming that one academic at the university had described the testing as 'cursory.'¹³³ Another, confidential, submission noted that initial language skills of *some* commencing international students are substandard.¹³⁴ There is also a worrying trend of allowing international students who do not meet the required English proficiency standards to undertake English preparation *concurrently* with their degree programs, with obvious implications for their ability to understand their degree course content.¹³⁵ The Vice-President of the Student Guild of the Curtin University of Technology also claims that one response to poor performance by some

129 Submission 315, AVCC, p.10

130 Submission 315, AVCC, p.11

131 Submission 248, Monash Students Association, pp 46-48

132 Submission 329, UTS Students Association, pp.14-15

133 *ibid.*

134 Submission 209 (Confidential)

135 Submission 293, Ms Gillian Ferguson, p.3

international students is to allow them to repeat units multiple times until they meet the requirements.¹³⁶

10.108 The problems cited in this part of the report are not the inevitable consequences of an international student program, but are, rather, mainly the result of public universities' over-dependence on revenue from international student fees, in an environment of under-funding and limits to growth in domestic student places. There is a convincing body of evidence that universities starved for funds are too willing in some cases to compromise entry and assessment standards to the disadvantage of both international and domestic students and our reputation as a quality provider of higher education. The removal of arbitrary limits to growth in domestic places and reversal of current funding policies should go along way to addressing the problem.

Development of offshore operations

10.109 Offshore operations allow universities to access another part of the market for international education - that is students who cannot afford to, or prefer not to, travel overseas to study. They also allow Australian universities to enter into partnerships with universities in other countries to expand the range of programs provided. The most common form of offshore program is the 'twinning' program whereby Australian universities enter into contractual arrangements with other education providers, including local universities, in another country. In some cases, however, universities may also establish their own operations in another country. In general, offshore arrangements are not covered by the current regulatory and quality assurance arrangements for higher education in Australia, embryonic as they are.

10.110 There has been significant growth in these operations in recent years as universities seek additional sources of income. In May 1999, Australian universities offered 581 offshore programs, mostly in Singapore, Malaysia and Hong Kong.¹³⁷ The offshore operations of Victorian universities increased by 14 per cent between first semester in 1999 and the same period in 2000, so that they now account for 14,497 students (compared with 22, 156 on campus students).¹³⁸

10.111 While these offshore operations receive less attention in Australia than other aspects of university operations, perhaps because they are 'out of sight', they have just as important an effect on the reputation of Australia's higher education sector as the onshore education program.

10.112 A witness from Charles Sturt University advised the Committee that his university - a regional university - is among the top two or three universities in

136 Submission 293, Ms Gillian Ferguson, p.3

137 Senate Employment, Workplace Relations, Small Business and Education Legislation Committee, *Consideration of the Provisions of the Education Services for Overseas Students Bill 2000 (and a range of related bills)*, November 2000, p.19

138 Submission 362, Government of Victoria, p.10

Australia in terms of offshore activity. The workload is as great as the dependence on the income from those students:

We have something like 10,000 students offshore in 10 countries who we teach from Australia or in association with other players. That is the only way that we have survived...This places enormous pressures. We tend not to count those workloads because they are not part of the official statistics. However, that has to be done and it has to be done well or you lose your market. We have staff who have to fly over and teach intensive sessions. We have to prepare the material so that it is culturally sensitive and related to the students own communities and so on. An enormous amount of work is associated with servicing that and we put in a lot of effort to ensure that we service it well, because we would go down the gurgler without it.¹³⁹

10.113 CPA Australia also agreed that offshore operations can be costly exercises and considered that it is not clear whether they are profitable: 'within the universities there appears to be considerable debate on this matter.'¹⁴⁰ They also noted that 'it is a matter of contention that overseas operations can be at a substantial cost to the effectiveness and potential quality of the on shore programs.'¹⁴¹

10.114 The University of Canberra Students Association considered that the offshore program is an area where 'far more work needs to be done to ensure that the quality of education is maintained regardless of where it is taught and that it does not detract from the education offered to on-shore students.'¹⁴² They expressed concern that the endorsement of the overseas institutions may have been based on a less than robust assessment, but conceded that they have had little opportunity to form an objective opinion.

10.115 Fears about the poor quality control in some offshore arrangements appear to be well-founded, at least in some cases. The University of South Australia (USA) told the Committee that its international student population now represents approximately 22 per cent of total enrolments, with 'a growing contribution coming from transnational activity associated with strategic partnerships.'¹⁴³ A recent review by that university of its own offshore programs found that there was a widely held perception among staff that 'quality took a second place' to the need to recruit fee-paying students. The university had increased its offshore numbers from 254 in 1995 to 4412 in 2000, mainly in Singapore and Hong Kong, with target of 10,000 students by 2005. The review recommended a need for an urgent quality audit of offshore programs and the inclusion of offshore students in graduate surveys.¹⁴⁴

139 Professor Charles Pratley, *Hansard*, Sydney, 18 July 2001, p.1041

140 Submission 176, CPA Australia, p.7

141 *ibid.*

142 Submission 333, University of Canberra Students Association, pp.8-10

143 Professor Kym Adey (University of South Australia), *Hansard*, Adelaide, 4 July 2001, p.805

144 The Advertiser. (Thea Williams), *Uni Urged to review Asian connection*, 17 February 2001

10.116 Not all universities will be as diligent as USA in reviewing their quality arrangements for offshore programs. The Committee remains concerned, as Labor and Democrat senators indicated in their minority report on the various Bills introduced in late 2000 to regulate the provision of the international education industry, that there is nothing in the regulatory provisions to ensure proper scrutiny of these offshore arrangements, even though the AVCC has acknowledged that regulation of offshore activities would be desirable.¹⁴⁵ The Committee notes that the AUQA will have the remit to audit the offshore operations of Australian universities.

Future of the international education industry

10.117 There are differing views on the future prospects for our international education industry. DETYA and some universities and state governments optimistically note the development of the global market for education, including on-line education, particularly in developing countries to our north, and see great potential for Australia to expand its market.

10.118 As noted in Chapter 2 and Chapter 7 of this report, a number of Australian universities have aggressive internationalisation programs and strategies which often include proposals for the delivery of higher education degree programs over the internet. Australian institutions are not alone in seeing this as a potential growth area and there has been much comment on the various corporate virtual universities and debate about the extent to which they may capture the international education market.

10.119 The Committee believes that it is too early to tell what direction this part of the market may take and the threat that it may pose to our international education industry. Both technology and the international education market are evolving at a rapid pace.

10.120 That said, the evidence suggests that there are some good reasons to doubt that *fully* internet-based education will be an acceptable substitute for *all forms* of campus-based education, particularly for school leavers and others with no prior educational experience. However there is evidence of a growing market for international education over the internet. International providers are aggressively pursuing this market as are some Australian universities (the discussion of Universitas 21 in Chapter 7 provides one example). For example, the University of Southern Queensland has a substantial number of international offshore students in its distance education program and a number of other universities also service offshore students through the internet. At the same time, despite the availability of internet-based university courses, international students are still paying large sums to attend campus-based courses in Australia, including at those universities offering on-line programs. Clearly there are some advantages to campus based foreign study that cannot be

145 Senate Employment, Workplace Relations, Small Business and Education Legislation Committee *Consideration of the Provisions of the Education Services for Overseas Students Bill 2000 (and a range of related bills)*, November 2000, p.19

provided on-line, for example, development of English language competence and experience of a different way of life.

10.121 Of more immediate concern, the development of the international education market has led to increasing competition from other countries for traditional onshore programs. The International Chartered Accountants of Australia (ICAA) reported that tertiary education institutions in other parts of the world have been fast to capitalise on the declining reputation of Australian universities, in the wake of soft marketing allegations: US and European universities have increased their marketing efforts in the Asian region.¹⁴⁶ The Victoria University also cautioned that there are signs that ‘education may be a finite export commodity.’¹⁴⁷ The CPA Australia also believes that the international student market will become more difficult to tap in the longer term. South East Asia countries, particularly Malaysia and Singapore, which still provide a large proportion of our market,¹⁴⁸ and also Hong Kong,¹⁴⁹ are developing their own university systems and are now becoming net exporters, rather than net importers, of education in accounting and related disciplines.¹⁵⁰ The Australian Council of Engineering Deans argued that failure to address the increasing competition from these countries will place our current export earning capacity at considerable risk.¹⁵¹

10.122 The declining quality of infrastructure and resources at Australian universities is also likely to have an adverse effect on Australia’s capacity to attract international students. The ICAA noted that the international education industry had been built around Australia’s reputation as a world-class educator.¹⁵² This is currently at risk, and not only as a result of the allegations of soft marking or other criticisms in the public domain. Research undertaken by the University of Melbourne indicates that among those students surveyed, Australia’s standard of university education is considered below that of the United Kingdom and the United States.¹⁵³ If those countries become more aggressive in pursuing the international market, this may well have implications for our market share.

10.123 As an example of the problems facing Australian universities in this area, a survey of international students at the University of Melbourne recently resulted in

146 Submission 136, International Chartered Accountants of Australia (ICAA), p.8

147 Submission 234, Victoria University, p. 6

148 Submission 207, Curtin University of Technology, p.7 noted that the bulk of international students were from Malaysia and Singapore

149 Submission 234, Victoria University, p.6

150 Submission 176, CPA Australia, p.7; See also Submission 201, Australian Council of Engineering Deans, p.4 reporting that Malaysia and Singapore have explicit goals of becoming net exporters of education

151 Submission 201, Australian Council of Engineering Deans, p.4

152 Submission 136, International Chartered Accountants of Australia (ICAA), p.8

153 Submission 229, Melbourne University Student Union, pp.3-4; See also Submission 232, University of Melbourne, Appendix 3

low ratings being given to the quality of university resources and infrastructure, including access to facilities:

Most concerns in this area relate to information technology: access to computer workstations, print quotas...delays and difficulties in access to specialist software, difficulties in online access from home. The quality of some teaching spaces comes in for criticism and some classrooms are thought not to live up to expectations held for a leading international university. Overall, facilities and resources were among the issues most often mentioned in the context of receiving 'value for money' at the University of Melbourne.¹⁵⁴

10.124 Previous chapters of this report demonstrate that teaching infrastructure is declining in many Australian public universities, and that many Asian universities, particularly in countries such as Singapore, now have better laboratory and technical equipment than their Australian counterparts. The increasing class sizes and reduced class contact hours cited elsewhere in this report, must also affect international students, who generally share the same classes as domestic students, but who, because of their different educational backgrounds and English language proficiency, may require more intensive academic support, at least in their first year of study. Submissions and evidence to the Committee made it clear that there is far from adequate support provided in many cases at present.

10.125 Several submissions argued that international students in general required a higher staff investment and more intensive academic support than domestic students,¹⁵⁵ given that they come from a different educational background and that English is, for most, a second language. However this is not reflected in staff-student ratios: for example, while the information science programs at the University of Melbourne has one of the highest concentrations of international students in the university, it also has one of the highest student/staff ratios (26:1).¹⁵⁶ The fees paid by international students are not being translated into better staff levels to match the needs, as a large percentage is channelled into other activities or programs to make up for funding shortfalls or for corporate activities. This disadvantages both domestic and international students:

There is no significant extra funding or staffing for departments with high numbers of international students, even though these students need significant support to adjust to the differences in education systems. They have difficulties adjusting to a problems solving participatory approach to education as well as language problems. .. To cope with the problems encountered by the international students, course delivery and assessment

154 Submission 229, Melbourne University Students Union, p.5

155 Submission 49, Professor John Quiggin, p.6

156 Submission 249, Mrs Margaret Kay, p.11

methods are being adapted to cater to the expectations of the international students, and in many situations this disadvantages domestic students.¹⁵⁷

10.126 The University of Western Sydney (UWS) observed that the recruitment and provision of teaching and other support services to overseas students is increasingly resource intensive and that it would be carefully monitoring the overall impact of its international program.¹⁵⁸

10.127 While the Government has cited the increasing numbers of international students as an indication of the quality and high standing of our university system, the Committee heard from the University of New South Wales that much of the recent growth was a factor of the falling value of the Australian dollar. Any rise the dollar's value was likely to see growth plateau and numbers perhaps fall.¹⁵⁹ This would create problems for those universities and faculties, such as the engineering program at the University of Melbourne, that had become totally dependent on the international program for their continued viability.

10.128 A number of witnesses argued that a range of measures could help to promote the future of the international education industry. Victoria University argues that governments should do more to support the industry through visa processes, the development of 'national' rather than 'university' branding and provision of greater services for international students.¹⁶⁰ Another witness also criticised the competition between universities and saw this as detrimental to the future of the market:

...the very competition that has been fostered between Australian institutions is now starting to show a down side - if some promote themselves as the best, others are by definition not so good. "Why" asked a perceptive Indonesian bureaucrat who had studied in Australia "do you Australian universities compete so hard against one another, when the reality is that Australia as a whole compares well with most other countries?" In an internationally competitive market we are in danger of undermining one another. And unlike the UK, which is our chief competition in parts of Asia, we lack an authoritative, independent, highly regarded agency for confirming the standard of degrees in each institution.¹⁶¹

10.129 Funding constraints and in particular the absence of strategic investment funds, limits universities' capacity to undertake the course development and redevelopment necessary for them to take advantage of growing international markets. The Queensland Department of Education considered that the partial deregulation of

157 Submission 249, Mrs Margaret Kay, pp3-4

158 Submission 287, University of Western Sydney, p.5

159 Professor John Niland (University of New South Wales), *Hansard*, Sydney, 17 July 2001, p.950

160 Submission 234, Victoria University, p.6

161 Submission 92, Professor Don Anderson, p.4

fees as recommended by the AVCC would go some way towards providing a source of additional revenue for this purpose.¹⁶²

Other

10.130 Inadequate levels of funding for higher education also have the potential to undermine the development of Australia's export market in services, which includes export of the services of professionals such as accountants, engineers and lawyers. The Australian Law Students' Association has advised the Committee that the positive trade balance in legal services grew to \$136 million in 1999-2000, with Australian exports of legal services amounting to \$194 million.¹⁶³ The suggestion is that the growing export industry in legal services could be stalled if funding levels lead to a deterioration in the quality of legal graduates or artificially constrain the production of law graduates. Similar points could no doubt be made about accountancy and a range of other professions.

Comment

10.131 The Committee supports Australia's international education program and believes that it has made a major contribution to Australia, both economically and in the form of closer ties between Australians and young people from other countries. It believes that the future for Australia's international higher education industry rests on our reputation for quality. Restoring quality to higher education, by altering the financial settings of the past 6 years and reducing universities' reliance on international student fee income will be the best investment we can make in the future of this export industry.

10.132 The Committee also believes that there is a need to restore balance to the international education program so that it better supports the development of the longer-term national capacity in education and research and the linkages with other countries. These are ultimately more valuable to the community than the income from student fees and living expenses. This could be pursued as part of the development of a coherent funding strategy.

International and domestic regulation and the international education program

10.133 The recommendations in this report, if implemented, will go a long way towards restoring quality to our public universities and securing the future of the international education sector. Regulatory regimes also have an important role to play in ensuring that quality standards are maintained. The Committee considers that it is important that the States and the Commonwealth act as soon as possible, including enactment of legislation, to effect the controls on the registration of universities as agreed in the National Protocols (as discussed in Chapter 2).

162 Submission 339, Queensland Department of Education, p.18

163 Australian Law Student's Association, Additional Information, 18 September 2001

10.134 The Committee also notes that our international education industry will be affected by developments in international regulation of education and of trade in services, such as education. Under the Uruguay round of negotiations on the General Agreement of Trade and Services (GATS), Australia has made a commitment to pursuing the liberalisation of trade in the private provision of higher education. Liberalisation is, of course, a two-way process and involves opening the Australian market to international providers of higher education as well as possibly extending Australia's access to other markets. While Australia has not yet included public universities under its GATS commitments, the Committee notes that the Minister, the Hon. Dr David Kemp MP, has taken a leading role in the negotiations.¹⁶⁴ As discussed in Chapter 2, there are some very real concerns and dangers associated with the Government's current approach, including the risk that Australia will be required to extend the same assistance (eg research grants and so on) to foreign private providers that it extends to Australian private universities. There is a degree of unease, give the direction of current policy, that public universities might be included in subsequent rounds. There is also a concern, as mentioned in Chapter 2, that we will be required to sacrifice national regulation and accreditation regimes designed to protect the quality of higher education in Australia - and other aspects of national policy on higher education - for the sake of international harmonisation. If this were to eventuate, it might also result in Australia losing some of its competitive advantage in the international education market as well as undermining our capacity to shape our higher education system to meet national needs.

Recommendation Thirty-Nine

The Committee recommends that the Government address as a matter of urgency the potential of the current round of General Agreement on Trade in Services (GATS) negotiations and resultant trade agreements to put at risk our national capacity to shape the future of our higher education system.

164 Submission 283, NTEU, pp 51-52

