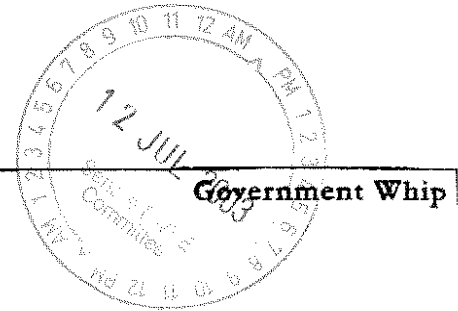




LEGISLATIVE COUNCIL

The Hon. Peter Primrose



There are 10 universities in New South Wales, more than in any other state. There are more universities in New South Wales than in Western Australia, Tasmania and South Australia combined.

The Government of New South Wales takes its responsibilities to its universities seriously.

The resourcing of higher education is clearly a national responsibility. This is supported by the 1974 Commonwealth/State Agreement on Higher Education, restated in 1991, where the Commonwealth accepted primary responsibility for funding the sector.

Despite the Commonwealth/State Agreement, the states already make a significant contribution to higher education through direct financial assistance and in kind support.

For example, between 1997 and 2002, the NSW Government expended \$144.6 million on the Conservatorium of Music redevelopment which benefits the University of Sydney. Around \$116 million of that figure is attributable to the University component of the development. NSW Health contributes about \$100 million per year in assistance to universities by direct payments and in kind. The Department of Education and Training is contributing \$88.5 million for initiatives to enhance the quality of teachers and to ensure an adequate supply of teachers in key learning areas. NSW universities occupy both Crown land and land given to them by the NSW Government for a nominal amount. Developments of new university campuses are often contingent on TAFE NSW land and other assistance. The NSW Department of Education and Training estimates that its assistance to NSW universities is in excess of \$200 million per annum, which is twice the level of NSW universities' payments for payroll tax.

Commonwealth Government grants as a percentage of operating revenue fell from 41.0 per cent (\$1,332 million) in 2001 to 39.4 per cent (\$1,407 million) in 2002. HECS contributions fell from 16.8 per cent (\$546 million) in 2001 to 15.9 per cent (\$570 million) in 2002. Total operating revenue for universities rose from \$3,241 million in 2001 to \$3,572 million in 2002.

Universities are relying more on fees and charges. Fees and charges as a percentage of operating revenue increased from 26.1 per cent (\$847 million) in 2001 to 27.5 per cent (\$984 million) in 2002. Revenue from fee paying overseas students increased from \$412 million in 2001 to \$533 million. It represents 14.9 percent of total operating revenue (12.7 percent in 2001). Revenue from fee paying overseas

students ranged from 3.7 per cent (3.8 percent in 2001) of total operating revenue at University of New England to 27.8 per cent (23.8 per cent in 2001) at the University of Wollongong. Students in the state's universities increased from 270,526 in 2001 to 288,733 in 2002.

In NSW alone, there has been an increase of 35,748 or 24 per cent in student numbers from 1996 to 2002.

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

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

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

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

The Commonwealth should recognise the current research efforts of these universities and build on their existing research strengths. Despite their relative disadvantage, two of the rural universities in NSW have a proportion of post-graduate students that is equal to or higher than the Australian average of 20 per cent – Charles Sturt University at 20 per cent and the University of New England at 24 per

cent. With the exception of one institution, rural universities in NSW also have a high proportion of academic staff with a higher degree – 78.6 per cent and 89 per cent compared with the Australian average of 67.2 per cent.

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

As major distance education providers, Southern Cross University, Charles Sturt University and the University of New England cannot be described as only having a local focus. In addition, they deliver courses in areas of national importance such as teacher education and nurse education. Charles Sturt, the Universities of Wollongong and Western Sydney also have relatively high proportions of overseas students – 21.9 per cent, 26.8 per cent and 16.5 per cent compared with the national average 18.7 per cent in 2002.

Governance

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

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

Backing Australia's Future is critical of the NSW practice of including Parliamentary representatives on university governing bodies and promotes smaller, non-representative, corporate style management boards. We acknowledge that it is essential to have business expertise on university councils particularly given

universities' growing commercial orientation. When the NSW Minister nominates individuals for appointment to university governing bodies, the balance of skills amongst members of that body are carefully considered including whether there is sufficient business acumen. Most NSW university legislation also states that Ministerial appointees should have certain abilities including educational, professional or business skills. Equally important, however, is that governing bodies have adequate community input. The economic importance of universities in NSW, especially for regional economies, and the increasing community development role of universities warrants the continued involvement of local Parliamentary members, staff and students in their governance.

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

We accept Council members' duty to act in the interests of the university taken as a whole and acknowledge the rationale for many members of Councils selection or election is because they are expected to understand the perspective of a particular 'constituency' important to the university (including staff, students and the Government). Staff and students are principle stakeholders of universities and rightfully occupy places on university Councils. Publicly elected representatives (Members of Parliament) represent the public as a major stakeholder in universities as public institutions with wider public purpose.

Trying additional university funding to governance changes will do little to improve the quality of higher education. The reduction in the size of universities Councils will not ensure improved decision-making or management practices. The Vice-Chancellors already exercise considerable influence in the appointments to Councils. Therefore, any reduction in the size of Councils will more likely affect the Parliamentary, community, staff and student representatives. Such an outcome would adversely effect public accountability.

Backing Australia's Future contains several provocative suggestions likely to lead to a period of industrial unrest in Australian universities if pursued.

At the centre is the Commonwealth's attempt to reduce the power of the NTEU and other university unions, and to remove the NTEU from the industrial relations landscape. The NTEU is criticised for its "centrally-determined, pattern-bargain approach" to the determination of salaries and staffing "which reduces flexibility and undermines effective performance management strategies". There is a clear preference for the replacement of certified agreements with Australian Workplace

Agreements, the cornerstone of the Commonwealth Government's industrial relations agenda.

We are concerned that moves to erode employment conditions will significantly and permanently undermine the quality and reputation of the Australian higher education sector. There has been a steady decline in academic salaries in relative terms since the early 1980's which has affected Australia's ability to retain high quality academic staff. The Commonwealth Innovation Statement in 2001 acknowledged the "brain drain" and introduced fellowships to attract from overseas, a limited number of academics. That the Commonwealth has to develop such inducements is an acknowledgement of the decline in the remuneration and support for academic staff, compared with other countries. The latest round of proposals are likely to destabilise the sector and further erode its standing.