



Excellence and Equity: Foundations for the Future of Australia's Universities

THE AVCC RESPONSE TO THE
HIGHER EDUCATION REFORMS IN
THE 2003 BUDGET

June 2003

AV-CC

Australian Vice-Chancellors' Committee
the council of Australia's university presidents



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Foreword

The creation of the future was the title given by the legendary American educationalist, and President of Cornell University, Frank Rhodes, when he came to write his classic 2001 text on the role of the modern university in society today¹.

Higher education drives advanced economies and self-confident cultures in an era of globalisation and international competition. Building the future skills of a society, and its intellectual capacity, has become absolutely critical if Australia wishes to be one of the knowledge-based nations of the 21st century.

Accordingly, the current public debate over the future of Australia's universities is both welcome and vital.

Following its major review of higher education over 2002, involving extensive consultation with universities and other stakeholders, the Commonwealth Government released on 13 May 2003 its package of reforms, *Our Universities: Backing Australia's Future*, along with a set of international education measures.

Overall, the AVCC strongly endorses the main direction and commitment by the Government. It is particularly pleased to see the extent to which the Government has taken up the AVCC's proposals in *Forward from the crossroads*² for a package of change.

The Government's package has strengths. It is a coherent package. The Government has taken up the essence of the AVCC's financing model and addressed many of the substantive issues the AVCC has raised. The package provides more flexibility for universities to pursue their individual missions. It turns around the slide in Government investment in higher education as a percentage of GDP, providing the basis for greater excellence and equity in Australia's universities.

The package also has weaknesses. Essential funding for education is tied to changes in governance and workplace relations, changes that are part of a reform agenda that should be advanced through other means. There is no effective indexation to maintain the value of the Government's investment. The equity initiatives should be significantly strengthened. Too many elements increase, rather than reduce, Government intervention in universities' strategic decision-making in pursuit of their own missions. The international package places further charges on students and universities to fund initiatives that universities consider of limited value to the sector. And other elements of *Our Universities: Backing Australia's Future* can be improved through amendments.

In addition, universities need much more information in many areas about how the package will be implemented to understand its implications and respond effectively.

These are important points for the Government to address, if Australia is to gain maximum value from the reform package. The AVCC wishes to work through these issues with the

¹ FHT Rhodes, *The creation of the future: the role of the American university*, Cornell University Press, 2001

² AVCC, [Forward from the crossroads: Pathways to effective and diverse Australian Universities](#), September 2002

Government, and with other parties and stakeholders, to ensure that necessary policy and fiscal reforms are enacted in 2003.

Individual Vice-Chancellors, representing their universities, will also have their particular issues and concerns to raise. All are united in the need for reform.

In the following sections, the AVCC:

- considers the main strengths of *Our Universities: Backing Australia's Future* and the key AVCC concerns;
- critically assesses *Our Universities: Backing Australia's Future* against the AVCC's vision for 2020; and
- in turn, analyses each of the AVCC's themes in *Forward from the crossroads* against *Our Universities: Backing Australia's Future* - assessing where they have been successfully addressed, and identifying areas requiring further consideration or amendment.

As Australia builds its defence capability in a time of uncertainty in the world, it is worth recalling Thomas Jefferson's comment that "education is the first defence of a nation". Investing in Australia's universities is also an investment in securing the nation's future.

Professor Deryck M Schreuder
AVCC President
2 June 2003

A: Executive Summary

1. Strengths of *Our Universities: Backing Australia's Future*

The AVCC welcomes *Our Universities: Backing Australia's Future*. It sets the foundations for reform of university financing arrangements to allow universities greater flexibility to pursue their missions. The package is the first serious attempt in the last decade to enhance the quality of public higher education in Australia. The focus on sustainability, quality, equity, and diversity reflects the emphasis of the AVCC in *Forward from the crossroads*.

The major strengths of the package are set out below.

Progress towards the 2020 Vision

The AVCC has strongly argued that effective reform requires a coherent reform package that will drive universities towards the AVCC's 2020 Vision for Australian higher education. The Government package provides this, although the AVCC has concerns with the package and has suggested improvements to it (see Recommendations, page 7).

Investing in higher education

Australia needs to reinvest in its universities. The Government has increased its investment in universities, through both core funding and additional programs. The increase should begin to turn around the constant slide in Government investment as a proportion of Australia's GDP (see Figure 1). The Government has given universities useful flexibility in setting student charges. Together, these are a significant first step to ensuring universities' future sustainability.

Support for access

The AVCC welcomes the Government proposal to provide an additional 24,000, appropriately resourced, places by 2007, primarily through converting the existing, discretionary, marginally funded places to properly funded places. The conversion will improve access to universities by ensuring the existing marginal places continue to be provided, whether at the same university or another, and support quality through proper funding.

Support for diversity and quality

The Government has recognised the different aspects of modern universities through specific programs to reward high quality teaching and learning and regional education. This will encourage diversity and enhance quality.

Indigenous education

The Indigenous initiatives are particularly welcome, notably the proposed National Council to advise the Minister. Ensuring effective Indigenous enrolment and graduation is an important but complex challenge for universities. The Council will ensure Indigenous input in developing constructive proposals to improve Indigenous education.

A new financing model

The Government has taken up much of the AVCC's twelve point financing model, providing a more flexible and effective fiscal framework for all universities. The model will be introduced from 2005, pushing back the much needed additional investment into 2006 and 2007. The Government should look to bring forward implementation, to provide the necessary injection of funding earlier.

Our Universities: Backing Australia's Future has taken up the essence of five points from the AVCC model:

- a core grant for each university, with some protection against a university receiving less in the future for its present profile of students;
- increases to the core grant, but these are tied to conditions not connected to the quality of teaching and learning. These conditions could prevent the increase being accessed by many universities;
- increased number of appropriately resourced places;
- a variable HECS arrangement, and an increased repayment threshold (that needs to rise further); and
- funding for universities' regional roles.

The Government has partly addressed three points from the AVCC model:

- a new scholarship scheme and some additional funding for equity but the AVCC would like to see more funding targeted at universities' achievements in enrolling and graduating students from under-represented groups that will balance additional income from variable HECS-HELP charges;
- some flexibility in targets for universities with the reallocation of under-used places, but it has included no strong commitment to allow allocations to respond to student demand, participation rates and university performance; and
- some funds to encourage specialisation, diversity and efficiencies but insufficient given the importance attached to these objectives.

It has failed to take up two points from the AVCC model:

- there is no improvement to indexation arrangements so as to ensure the core grant's real purchasing power is maintained into the future; and
- there are no changes to student income support arrangements to ensure that students do not need to work long hours to support themselves.

Finally, two points from the AVCC model remain for the Government to address:

- further investment in university research; and
- support for universities' private sources of investment.

2. Key AVCC concerns

There are some important areas where the Government's package could hinder achieving both the AVCC Vision 2020³ and the Government's themes of improving sustainability, quality, equity, and diversity.

Undermining the value of the Government's investment: no effective indexation

By not indexing the Government's investment each year, and the related maximum HECS-HELP rates, by a realistic index that reflects the real changes in costs, the Government will ultimately reduce the real value of its current and additional investment. Universities' sustainability will again be put at risk in the latter part of the Government's ten year package (Recommendation 1).

Tying investment in education to changes in governance and workplace relations

The Government has proposed to increase its direct funding for university core grants by 2.5% in 2005, rising to 7.5% in 2007. This will provide the much needed, additional Government investment in the quality of university teaching and scholarship advocated by the AVCC. But the Government has tied this investment to governance and workplace relations requirements that some universities may never achieve. The AVCC believes that funds to support the quality of universities' teaching and learning should only be tied to requirements directly related to universities' teaching and learning performance (Recommendation 3).

Insufficient support for ensuring equity

The key to a well-balanced package is ensuring that the additional flexibilities in student charges neither discourage potential students from applying for university, nor discourage universities from enrolling some students. To counterbalance the impact of more flexible HECS arrangements, the AVCC has proposed that substantial contestable funding be made available to universities to support the education of students from under-represented groups. These funds should roughly be equal to the total income raised from HECS contributions set above the standard rates by those universities that choose to do so (Recommendation 2).

The proposed Commonwealth Learning Scholarships and the other small equity initiatives go part of the way to providing an equity balance. But the AVCC is concerned that they are not sufficient (Recommendation 12).

In addition there has been no reform of student income support (Recommendation 7).

Remnants of a 'one size fits all' approach

The AVCC has welcomed Dr Nelson's support for removing unnecessary regulation of university internal activities to give universities the capacity to pursue their diverse missions and provide the education, research and community support Australia's communities and business require.

³ AVCC, [Positioning Australian Universities for 2020: an AVCC Policy Statement](#), June 2002, p2.

However, at numerous points in *Our Universities: Backing Australia's Future* the Government either seeks to enforce a common policy on all universities or proposes compliance policies that act against support for diversity.

- Universities are most concerned that the mix of disciplines in each university will be set centrally by Government, rather than allowing universities the capacity to respond to student demand (Recommendation 4).
- The proposed prohibition on charges for student services restrains universities at the same time as the Government has relaxed other controls on student charges (Recommendation 11).

The Government should examine closely the array of regulatory and reporting requirements generated by its reforms to ensure that they do not act against its intentions through stifling the individual development of universities and unnecessarily intruding on internal university operations and autonomy.

Supporting internationalisation

The AVCC has considered the proposed international initiatives against the impact of the proposed additional charges on universities and their students. On balance, the AVCC is unable to support the international package. It would be better not to have the initiatives, only some of which have value, than to have the additional charges placed on an already highly successful Australian educational and export undertaking (Recommendation 13).

3. An overall assessment

The Government's reform package is strong in providing the base for the future development of Australia's university sector from 2005.

The AVCC has identified a range of key concerns within the package. Addressing these issues will strengthen the package while retaining its intent and financial commitment.

The AVCC wishes to work through these issues with the Government, and with other parties and stakeholders, to ensure that necessary legislative reforms, embodying the package with proposed improvements, are enacted in 2003.

Australia's universities are at a crossroads in their development, with positive changes in resources and policies overdue. It is time to ensure the long-term outcomes of enhancing Australia's higher education system.

4. AVCC Recommendations

1. The AVCC restates its strong recommendation that the Government index both its funding and the HECS levels by the same level as schools' indexation arrangements.
2. The AVCC urges the Government to reconsider the AVCC's proposal that substantial contestable Government funding be made available to universities to support the education of students from under-represented groups. These funds should roughly equal the total income raised from HECS contributions set above the standard rates by those universities that choose to do so.
3. The AVCC calls on the Government to untie significant additional education funds from requirements for changes to governance and workplace relations. Funds to support the quality of universities' teaching and learning should only be tied to requirements directly related to universities' teaching and learning performance. Instead, the Government should work with universities to support useful changes in governance and workplace relations. To do this:
 - the AVCC urges State and Commonwealth governments to work together with universities to improve governance arrangements through effective national protocols that will provide governance that supports the diversity of Australia's universities; and
 - the AVCC calls on the Government to provide considered criteria for the new workforce productivity program that will truly measure the effectiveness of actions to increase flexibility and improve arrangements of advantage to the institution, rather than criteria that presume that particular paths must be taken.
4. The AVCC urgently calls on the Government to assure universities that it does not seek to determine centrally, and externally, the internal balance of university activity, but will rather let universities develop (within agreed funding levels), in response to student demand, regional participation rates and community needs.
5. The AVCC calls on the Minister to make available clear information and detailed guidelines relating to the new Commonwealth Grant Scheme (and other funding arrangements) to allow universities to assess how they should take advantage of the Government's reforms.
6. The AVCC recommends that, given the complexity and initial unpredictability of the impact of the new Commonwealth Grant Scheme, there be clear transition arrangements for its introduction to ensure no university is unfairly affected.
7. The AVCC reiterates its call on the Government to improve student income support arrangements.
8. The AVCC calls on the Government to raise the loan repayment thresholds to the average graduate starting salary from 2003-04.
9. The AVCC calls on the Government to remove the proposal to levy a real interest charge on FEE-HELP and Overseas Study HELP.

10. The AVCC asks the Government to clarify that Overseas Study HELP is open to both full-time and part-time students, while noting that the overseas study should be full-time.

11. The AVCC calls on the Government to abandon its intended restrictions on student services fees and arrangements for membership of student organisations.

12. The AVCC urges the Government to change its guidelines for the Commonwealth Learning Scholarships so that they: cover the period required to complete the student's course; do not count as income for Youth Allowance (and similar allowances) income testing purposes; can be allocated by universities to maximise participation by the target groups, not necessarily by academic merit nor only to full-time students; and are doubled in number.

13. The AVCC urges the Government to work with the AVCC to develop a better package of international initiatives, funded through direct Government support for a major export industry.

14. The AVCC recommends that the Government's proposed next package of investment in research and development focus on underwriting the base research infrastructure of universities.

15. The AVCC recommends that the proposed funding levels for each discipline group be reset following assessment of the cost of effective provision, without being limited to what is actually being spent now on each course.

16. The AVCC recommends to the Government that it make clear its ongoing commitment to supporting Australians in life long learning by legislating the basis for renewing learning entitlement as part of the legislation to introduce the entitlement.

17. The AVCC urges DEST to work with the AVCC and universities to consider the details of the proposed Higher Education Information Management System, and restates that any system must involve reporting the essential information only, and build off the preferred information collection arrangements of each university.

B: Towards the AVCC Vision for 2020

The AVCC has identified four defining features for an internationally competitive Australian university system 2020.

1. All Australians will access post school education or training with more than 60% completing higher education, at least 10% at the postgraduate level, with choice across a diverse range of quality universities.
2. Research excellence will be found in all Australian universities, with a focus on key priority areas, extending basic knowledge, and innovative research and development.
3. Effective and equitable national investment in higher education will underpin the international quality of Australia's universities.
4. Australian educational exports will give Australia a pre-eminent place in the global educational revolution.

The following sections consider the extent to which *Our Universities: Backing Australia's Future* positions Australia to achieve the AVCC 2020 Vision.

Feature 1: Completion of higher education

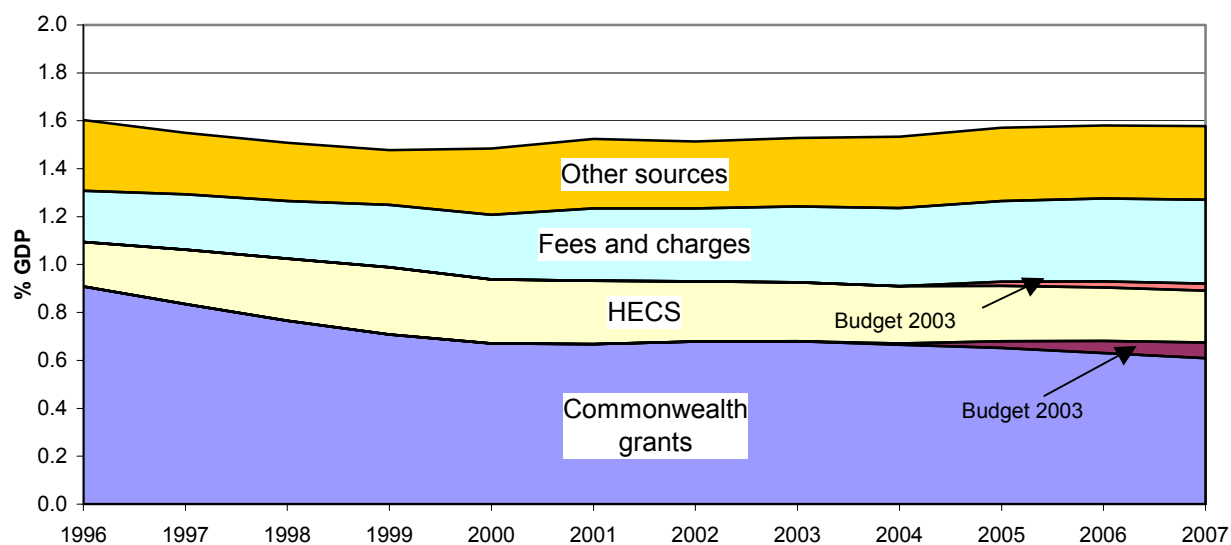
The Government has committed to expand substantially the base level of university places through additional nursing and medicine places, conversion of some 25,000 discretionary, marginally funded places into guaranteed, appropriately funded places, and further general places to be provided from 2007. The commitment of additional funding for each place will underwrite the quality of the education to be provided.

In addition, the limit of 5 years' full-time funding for any one person will tend to increase the number of people accessing universities for a first degree. However, it may also reduce upgrading of skills and knowledge unless an effective means of regaining entitlement over a lifetime is properly articulated.

Postgraduate levels have risen rapidly over the past decade, especially in coursework degrees providing the more detailed skills and knowledge required now for many professions. The provision of loans from 2002 for coursework postgraduate courses has successfully raised enrolment. The proposed addition of interest to those loans, and the proposed cap on the loan, will tend to reduce enrolment rather than boost it. The AVCC does not accept that a real interest rate should be charged.

The Government now needs to identify the future level of additional places it will fund from 2008, not just in line with population growth, but to achieve higher participation rates in university education. Such a further commitment, along with arrangements to renew the learning entitlement, would underpin the Government's support for life long learning for Australians. This will determine whether the AVCC target of 60% can be achieved and make Australia internationally competitive in access to higher education.

Figure 1: Estimate of Investment in Universities 1996-2007 as a Proportion of GDP



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Commonwealth grants (% of GDP)	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Other sources (% of GDP)	0.7	0.7	0.7	0.8	0.8	0.9	0.8	0.8	0.9	0.9	0.9	0.9
Total (% of GDP)	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.6

Note: due to rounding the 'Commonwealth grants' and 'other sources' may not add to the 'total'.

Data Sources

1996-2001:

Universities' revenue from DEST Financial Statistics; GDP series is provided by the ABS.

2002-2007

Commonwealth grants: 2002 figure is based on 2001 figure plus difference in total Commonwealth funding 2001 to 2002 in *Triennium report 02-04*, Table Exec 2; later years build in additional increases in Commonwealth funding as per *Triennium report 03-05*, Table 2.12 and *Our Universities: Backing Australia's Future*. All figures are net of HECS.

HECS: based on AVCC Funding Table 2, derived from DEST data, and *Our Universities: Backing Australia's Future*.

Fees and charges: extrapolated from 1996 to 2001 growth.

Other sources: extrapolated from 1996 to 2001 growth. The extrapolation showed a negative amount for 2002, due to decreases in other revenue in the mid 1990s. This has been made zero.

GDP: 2002 from ABS; 2003 forward, estimated GDP based on Treasury estimates of annual growth rate.

Feature 2: Research excellence

Universities are now benefiting from the Government's *Backing Australia's Ability* package of 2001, with over \$600 million in additional Government investment allocated for 2003-04. The challenge is to build on that foundation, with a particular focus on improving universities' base infrastructure and research capacity. The Government also needs to ensure that the problems with the Research Training Scheme are resolved.

In *Our Universities: Backing Australia's Future*, the Government has accepted the challenge and indicated that it will be a focal point for the 2004 Budget. The AVCC looks forward to working with the Government to develop the next stage of investment in research. The AVCC will release its detailed proposals for further investment later in 2003.

Success in developing a further package is crucial to achieving the 2020 Vision of research excellence in all Australian universities.

Feature 3: Effective and equitable national investment

Our Universities: Backing Australia's Future is a substantial, initial step towards ensuring that Australia is a highly ranked nation for higher education excellence. Table 1 sets out the major financial commitments in the package. However, the lack of an effective index to maintain the value of Government investment is a major weakness that will undercut the Government's package in the longer term.

Figure 1 shows past levels of investment in higher education as a proportion of GDP and AVCC estimates of present and future levels with the additional investment set out in *Our Universities: Backing Australia's Future*. If the growth in non-HECS, private investment in universities over past years continues, total investment is likely to reach 1.6% of GDP in 2007.

The balance of Government investment to other sources reflects the much wider role universities have in a modern Australia, but also points to the ongoing need for Government to raise its investment significantly to provide the foundation for Australia's future prosperity.

Setting the foundations for an increase in investment against GDP, and in particular turning around the constant drop in Government investment in higher education, is a significant achievement.

Therefore, the AVCC's 2020 Vision of 2% investment in higher education remains a major challenge for Australia – in 2007 a further \$3.5 billion worth of investment would be needed to reach 2% of GDP. The Government will have to take responsibility for a significant part of the additional investment required, in appropriate balance with private sources. The AVCC proposes that the Government increase its investment towards 1% of GDP as investment overall reaches 2%.

Feature 4: Educational exports

The AVCC is disappointed that the Government has not recognised the value of the Australian international education sector by supporting it financially as it does other export industries. The package of measures announced in the Budget is, on balance, not worth the additional charges on providers and students.

The AVCC rejects this portion of the Government's package. It does not advance the AVCC 2020 Vision of Australia as a pre-eminent player in the global educational revolution.

Table 1: Our Universities Backing Australia's Future: Main items (\$2003)

	2004	2005	2006	2007	Total
	\$m	\$m	\$m	\$m	\$m
Commonwealth course contribution	0.0	58.8	124.7	191.2	374.8
Transition fund	0.0	12.0	0.0	0.0	12.0
Regional fund	27.2	28.9	29.4	30.1	115.7
Conversion of marginal places	0.0	61.9	110.9	150.0	322.8
Growth Places	0.0	0.0	0.0	10.0	10.0
National Priorities	11.6	45.4	46.5	47.4	150.9
Commonwealth Scholarship Programme	10.9	28.6	46.5	64.7	150.8
Learning and teaching initiatives	0.0	0.0	74.1	99.5	173.6
Equity initiatives	0.3	5.2	6.6	8.3	20.4
Workplace Productivity Programme	0.0	0.0	25.5	25.5	51.0
Collaboration and Student Reform Fund	0.0	6.2	6.3	6.2	18.7
Quality initiative	0.0	0.9	0.8	0.8	2.5
Implementation oncosts	10.0	0.0	0.0	0.0	10.0
Marcus Oldham	2.0	0.0	0.0	0.0	2.0
Total	62.1	247.9	471.4	633.8	1415.2

Note: table is expressed in 2003 values to allow easier assessment of the additional investment. The figures are accordingly different from those in Attachment B of *Our Universities: Backing Australia's Future*.

C: The AVCC Themes

1. Quality of teaching and learning

The AVCC has argued, in *Forward from the crossroads*, that the challenge for the Government is to create the policy environment that allows for different, but effective, approaches to teaching and learning, targeted at the needs of a variety of groups of students. It is not to find a single solution and impose it across all students, courses and universities.

The AVCC concluded that the direction for the future must focus on enhancing universities' capacities to refine and achieve their missions so that they can continue to ensure effective student learning. Each university should be accountable for its own performance through the judgments of students, employers, community and Government.

In *Our Universities: Backing Australia's Future* the Government has substantially supported the AVCC's arguments.

- The AVCC welcomes the Government's statement that it is not the intent of the package for any university to become teaching-only and that a return to a binary higher education system is not an objective of the reforms. The test of the package will be that its mix of incentives does create real alternatives for, and contributes to the sustainability of, all universities.
- The AVCC supports the Government emphasis on the importance of teaching and learning to universities' missions. The initiatives proposed support the AVCC's recommendations on innovation in teaching, recognition for teaching and scholarship in university promotion, and staff development.
- However, in some aspects, the package falls short of the Government's ambition. There is a tendency to focus on full-time students who have come straight from school. Not all universities focus on such students, nor should they in a diverse, equitable system. Some of the proposed program elements, such as the revised Equity Program, also tend towards rewarding preferred approaches rather than achievement, again discouraging innovation and diversity.

Direct quality initiatives

- The proposed Learning and Teaching Performance Fund, with \$77 million in 2007, provides a performance-based funding element that could provide a counterbalance to the various performance-based research programs, providing due reward for universities with stronger learning and teaching outcomes.

Compared with the research programs it is a modest program. It could have been larger through connecting it to the additional course funding to be made available, tying those funds more clearly to quality in learning and teaching, not governance and workforce relations.

The AVCC will work with the Government to ensure the Fund works effectively. The challenge is to establish a set of viable criteria for performance, and its assessment that does not enforce particular models on universities but actively supports all approaches that can be shown to be effective.

- The proposed National Institute for Learning and Teaching in Higher Education can build on the work of the Australian Universities' Teaching Committee to support universities in developing learning and teaching, articulation and monitoring of academic standards, and assessment practices.

The AVCC looks forward to receiving more detail on how the Institute will be established. The important factor is that the Institute works with universities to assist them and does not seek to impose particular approaches on universities.

Given the responsibility the Institute will have in allocating the Learning and Teaching Performance Fund, it will be necessary to ensure that the allocative process is fair and transparent and that those involved are selected through fair and transparent processes.

- The AVCC supports the proposed additional Australian Awards for University Teaching.
- The Government has acknowledged the failure of the Graduate Skills Assessment to attract students. The funds it proposes to use to promote the GSA would be better spent on other aspects of the reform package.

Overall, *Our Universities: Backing Australia's Future* supports quality of university teaching and learning through allowing universities the scope to develop. However, to achieve this outcome fully, universities will need access to the additional 7.5% in course contributions now tied to changes in governance and workplace relations conditions. These funds would be better tied to performance in teaching and learning, as initially proposed by the AVCC.

Linkages to other education sectors

In its review the Government raised issues concerning the linkages among different education sectors to ensure that students were able to move across sectors easily to gain the package of education and training they require.

Responding to these issues the AVCC in *Forward from the crossroads* restated its support for effective linkages and the considerable success that universities have had in enrolling students applying with VET qualifications and providing effective levels of credit transfer for them.

The AVCC outlined a number of initiatives that would make pathways among the sectors more effective including the piloting of a higher education sub-degree and simplification of the Australian Qualifications Framework to provide for each award to be accredited through one sector only. These issues are now being addressed through the Australian Qualifications Framework Advisory Board.

The AVCC notes that the Government has included no specific measures in its package concerning linkages other than for the Collaboration and Structural Reform Fund to encourage further collaboration with vocational education providers.

AVCC Recommendations

The AVCC recommends that funds to support quality of universities' teaching and learning should only be tied to requirements directly related to universities' teaching and learning performance and not to changes in governance and workplace relations.

2. Equity of access

The AVCC has argued, in *Forward from the crossroads*, that substantial contestable funding be made available to support students from under-represented groups to ensure that their barriers to participation are addressed and their participation in higher education improved.

The intent of the AVCC proposal is to support those universities which do most for these students, using performance measures of enrolment and graduation levels, and avoiding complex, and small, programs focussed on particular services and inputs.

At the heart of its proposal, the AVCC argues that a less regulated higher education system requires a strong commitment to equity, building on the gains that have been made in improving participation by these groups.

The Government has responded in three ways to support the needs of these students: through the creation of scholarships, some additional funds for existing equity programs, and Indigenous initiatives. It has also improved access more generally by proposing to fund 24,000 places by 2007, including converting discretionary, marginally funded places into guaranteed, appropriately funded places, and providing further general places from 2007.

These initiatives are a beginning. To ensure the full equity of the package, the Government must reconsider the AVCC proposal that substantial contestable funding be made available to universities to support the education of students from under-represented groups as a balance to the changes in HECS. As proposed by the AVCC, these funds should roughly equal the total income raised from HECS-HELP contributions set above the standard rates by those universities who choose to do so.

Commonwealth Learning Scholarships Program

The AVCC supports the Commonwealth Learning Scholarships as a mechanism to provide additional support for some students likely to be under financial pressure that could either reduce their capacity to study or prevent it completely. In the absence of changes in broader student income support arrangements the program is a step in the right direction that should be improved through addressing the following issues.

- The Government has limited both scholarships to a maximum of four years, when a learning entitlement is for five, with provision for more if the course is longer. The AVCC believes that each scholarship should cover the period required to complete the student's course in minimum time whether it is a three year, four year or longer course.
- The scholarships will count as income against Youth Allowance, Abstudy and Austudy. This means that once the scholarship and other income exceeds about \$6,100 a year, full rate Youth Allowance will be reduced. The AVCC believes the scholarships should not count as income for Youth Allowance (and similar allowances).
- Universities are to award scholarships on the basis of academic merit, to students from rural and regional, low income and Indigenous backgrounds who study full-time. This is likely to mean that they will advantage people who would, most likely, attend university rather than attract those who might otherwise not proceed to higher education. The AVCC believes that, within the broad target groups, universities should be free to

determine the best allocation of the scholarships to maximise participation by the target groups, including to part-time students unable to study full-time.

- The scholarships will cover about 20% of eligible students. If the program is to support students from disadvantaged backgrounds who have managed to achieve university entrance it needs to be bigger, covering many more such students, and providing a positive incentive to those still at school, or employed but looking to enhance their future.

Equity Programs

There are modest increases in funding for the Higher Education Equity Program and Students with Disabilities Program.

The AVCC is concerned that the proposed changes to the Equity Program will focus funds at universities that put particular schemes in place. This rewards particular approaches rather than allowing diversity of approach through a fair assessment of outcomes and leads to overly complex programs with extensive reporting requirements. The AVCC supports the development of a new formula for the Equity Program but is concerned that the revised arrangements may effectively dictate internal arrangements, imposing a single approach on all universities.

As indicated in *Forward from the crossroads*, the AVCC supports the need to update the equity target groups.

Indigenous education

Taking the Government's equity initiatives as a whole, Indigenous higher education has fared particularly well, reflecting the priority given to this area by Dr Nelson since he became Minister.

The Government has fully supported a number of the AVCC's recommendations in *Forward from the crossroads* through providing additional funding for universities to support Indigenous students, establishing a Ministerial Higher Education Indigenous Advisory Council and providing scholarships for some Indigenous students. In addition it has committed to establish scholarships for Indigenous staff to improve their formal qualifications. The AVCC welcomes the Government's commitment in this complex area and looks forward to working with the new Council.

AVCC Recommendations

The AVCC urges the Government to reconsider the AVCC's proposal that substantial contestable Government funding be made available to universities to support the education of students from under-represented groups. These funds should roughly equal the total income raised from HECS contributions set above the standard rates by those universities that choose to do so.

The AVCC urges the Government to change its guidelines for the Commonwealth Learning Scholarships so that they: cover the period required to complete the student's course; do not count as income for Youth Allowance (and similar allowances) income testing purposes; can be allocated by universities to maximise participation by the target groups, not necessarily by academic merit nor only to full-time students; and are doubled in number.

3. Students: income support and charges

Student income support

The AVCC has argued, in *Forward from the crossroads*, that the Government should restructure the student income support system so that it is effective in reducing the need for students to work excessive hours and so avert the detrimental effect on academic performance of heavy work commitments prompted by economic necessity.

This is a particular concern for students whose family income is sufficient to exclude them from Youth Allowance but not such that their families are able to support them while studying⁴.

The AVCC case is based on its 2000 survey on undergraduate student finances, *Paying their way*⁵. It showed that by 2000, full-time students worked an average of 14.4 hours a week, or about two days every week - and nearly three times the hours worked by students in 1984.

The AVCC is disappointed that the Government has not made any commitment to review the current student income support systems. The Government has provided for scholarships (as outlined in Chapter 2) but these are highly selective with limited regard to real financial need.

The AVCC therefore reiterates its call for the Government to re-examine student income support arrangements.

Student charges and loans

HECS-HELP

The AVCC supports the Government proposal to allow universities to set the level of HECS charged by universities. This was proposed by the AVCC in *Forward from the crossroads*.

The AVCC's support for this proposal is based on it being part of a full package of reform that includes substantial additional Government investment. This ensures that the balance of Government and student investment remains stable and that charging additional amounts is not the only, or prime, option for additional university revenue.

The Government's program does include substantial additional public investment of \$634 million in 2007 (but with significant elements tied to conditions that may prevent universities ever accessing the funds – see Chapter 5), greater than its predicted level of additional HECS-HELP contributions of \$262 million in 2006-07. This is an acceptable balance.

The broader impacts of HECS-HELP (and FEE-HELP) cannot be predicted with any certainty. They must be monitored for any adverse consequences. In particular that they do not reduce access or equity for future students. The AVCC remains concerned about the Government's limited response to its proposal for a financing element to support universities

⁴ Bob Birrell, Ian R. Dobson, Virginia Rapson and T. Fred Smith, *Higher Education at the Crossroads*, Centre for Population and Urban Research, Monash University, 2003

⁵ http://www.avcc.edu.au/news/public_statements/publications/index.htm, M. Long and M. Haydon, *Paying their Way*, 2001

enrolment of students from under-represented groups (see Chapter 2). This would have provided a clearer balance of choices for universities, re-enforcing both equity and diversity.

- Where a university chooses to use the variable HECS provisions, it could grant students scholarships equal to all, or part of, the HECS-HELP charge. It would be simpler for the Government to agree that universities can set different HECS-HELP levels by students as well as by course.
- The AVCC has also proposed that the Government raise the initial repayment threshold to average graduate starting salary for a graduate in their first full-time employment, about \$35,000. The Government has partially met this proposal through an increase to \$30,000 in 2005-06.

The AVCC welcomes the Government's agreement that the threshold is too low but its proposed increase is not sufficient. The threshold for 2002-03 is \$24,365. The Government's \$30,000 change for 2005-06 is equal to \$26,906 in 2002-03 terms, still substantially less than the average graduate starting salary for 2002⁶.

The AVCC calls on the Government to raise the threshold to average graduate starting salaries.

- The Government has also decided to reduce the discount for upfront payment and early repayment of HECS. The AVCC supports this decision to reduce the advantage available to those few who are able to pay upfront, or repay early.

FEE-HELP

- *Fee-paying Australian undergraduate students*

In *Forward from the crossroads* the AVCC did not specifically address the question of fee-paying Australian undergraduate students. It did so on the basis that the substantial increase in places proposed by the AVCC, combined with allowing universities to compete for students through funding universities for a range of places, would remove the need for students to pay fees to ensure a suitable place.

- The Government has met the AVCC's proposal for additional places but, despite its argument that this removes the need for full-fee places, it has also retained the provisions for them. The AVCC notes that in doing so the Government has extended the 25% restriction on the proportion of students in a given course who can be Australian fee-paying students to 50%.

In assessing the decision to retain fee-paying undergraduate places it is important to note that universities can only enrol fee-paying undergraduates once they have met their required level of funded student places. The Government has estimated it will make an additional \$88.1 million in FEE-HELP loans in 2006-07 above projected loans for PELS: this equals 8,810 loans of \$10,000, compared to about \$2 billion in HECS-HELP.

⁶ Conversion of \$30,000 threshold into 2002-03 price level was done using the wage growth forecasts from the Budget Paper 1 2003, Table 2, p1-5. Graduate Careers Council of Australia, *Graduate Starting Salaries 2002*.

Given the concerns expressed by many about the extension of fee-paying Australian undergraduate places it is important to assess its impact through a review in 2007 after three years of operation.

- *Postgraduate Australian fee-paying students*

The AVCC supports the decision to extend the capacity to charge fees to all postgraduate courses, allowing universities to expand those courses where there is demand. However, it is important that universities are allowed to continue to offer funded places in postgraduate courses to ensure an equitable range of options.

- *Loans for Australian fee-paying students*

The AVCC has long argued that all students admitted to Australian universities should have access to income contingent loans to cover the cost of their course, whether it be in a Government funded place or fee-based.

The AVCC supports the extension of income contingent loans to any undergraduate fee-paying students universities choose to enrol but it does not (and never has) accepted that a real rate of interest should be applied to loans to any students. Interest undermines the value of the loans and favours those most able to repay – whether through family means, or subsequent personal income.

In terms of postgraduates, this change to PELS (so soon after its introduction in 2002) does not show long-term consistency in policy by Government. The Government should stand by its initial decision, and use the existing PELS arrangements as the base for an extension to undergraduate courses.

Further, if the Government is to make loans available for fee-paying students, it should do so properly. The restriction on FEE-HELP to \$50,000 will not cover the cost of many undergraduate courses (for example those at Bond University) so students may be left with an incomplete course due to financial constraints. Removing the financial barrier to much, but not all, of a course is an ineffective change.

The AVCC calls on the Government to remove the real interest charge on FEE-HELP, and base it on the present PELS scheme for postgraduate fee-paying students.

Overseas Study HELP

The AVCC strongly welcomes the Government's interest in supporting Australian students to study overseas for part of their degree. Effective internationalisation of Australia requires that Australian students have an international experience to develop essential generic skills – it is not just a case of educating international students.

As with the proposal for interest on FEE-HELP, the AVCC is opposed to the proposed interest charge for Overseas Study HELP.

The AVCC is also concerned at the wording in *Our Universities: Backing Australia's Future* that suggests only full-time students will be eligible for Overseas Study HELP. The AVCC agrees that students studying overseas should do so full-time to receive this support but disagrees that only students who are studying full-time in Australia should be eligible.

Membership of Student Organisations

The Government has indicated that universities will no longer be able to charge a student services fee or require membership of a student organisation. The AVCC rejects this proposal.

In every university there are essential services and facilities that are provided for students which are both an important element in the social and cultural life of universities and a part of the education process. Such services are often provided by student organisations, some of which have existed for many years, and are an integral part of university life.

The AVCC strongly supports the view that fees charged for the provision of services for students are an obligation of enrolment, whether the services are provided by student organisations or by the university. It is the prerogative of universities to determine conditions of enrolment.

Where student organisations provide an extensive range of services, which the universities recognise as essential, their financial viability is fundamental. It is essential that the student organisations continue to contribute to the ethos of the universities in this way. To do so, however, they must have adequate funds at their disposal.

The AVCC believes that representative student organisations work best when membership is universal, and therefore supports universal membership. All universities benefit from the existence of representative student bodies whose members can serve on academic bodies and university committees of various kinds.

The AVCC recognises that some students may not wish to be members of a student organisation. In at least 16 universities membership is not automatic on enrolment, and nearly all other universities provide for exemption from membership, an option few take up.

In the context of giving universities more flexibility to compete for students and the capacity to determine the main charge paid by students, restrictions on particular uses of a fee or the particular requirements of enrolment jar exceedingly – they are a throwback to a ‘one size fits all’ straightjacket.

AVCC Recommendations

The AVCC reiterates its call on the Government to improve student income support arrangements.

The AVCC calls on the Government to raise the loan repayment thresholds to the average graduate starting salary from 2003-04.

The AVCC calls on the Government to remove the proposal to levy a real interest charge on FEE-HELP and Overseas Study HELP.

The AVCC asks the Government to clarify that Overseas Study HELP is open to both full-time and part-time students, while noting that overseas study should be full-time.

The AVCC calls on the Government to abandon its intended restrictions on student services fees and arrangements for membership of student organisations.

4. Internationalisation

In *Forward from the crossroads* the AVCC argued that the effective internationalisation of Australia's universities is vital to the future well-being of the Australian community in an increasingly globalised economy, work force, and society.

To achieve effective internationalisation of Australia's universities, the AVCC proposed that the Commonwealth Government should:

- promote Australian education internationally, including through bilateral Government to Government agreements;
- work with universities to improve community understanding of the value of internationalisation of Australian universities;
- reduce visa and related charges on international students;
- support universities to achieve a target of 20% of Australian students who include international study in their course; and
- establish awards for excellence in international education.

In *Our Universities: Backing Australia's Future*, and its international statement, the Government has recognised the need for Australia to maintain its competitiveness in the international education market, but has made only limited proposals to support the nation's reputation as a provider of high-quality, cost-effective higher education and proposes to fund these primarily from new imposts on education providers and international students.

The majority of the specific international initiatives were developed without consultation with universities about the best use of any additional expenditure such that some of the proposed initiatives have value but others do not. The increases to charges also involve universities in cross-subsidising the promotion and development of numerous small providers and the cost of regulating the quality of those providers. The AVCC does not support making such a cross subsidy.

Further, as shown in Table 3, from 2005-06 the amount of revenue raised by the package will be higher than the planned expenditure.

The AVCC does support Overseas Students HELP, which will provide loans for students to support international study. This is an important step towards the AVCC goal of 20% of Australian students including international study in their course. Some additional funding could usefully underpin this program.

Table 2: International Education: Summary of measures

	2003-04	2004-05	2005-06	2006-07	Total
	\$m	\$m	\$m	\$m	\$m
Education, Science & Training					
Increased profile of Australia's international education sector	8.4	9.3	10.9	13.1	41.7
Endeavour Program Scholarships	1.6	2.1	2.1	2.1	7.9
International Centres of Excellence	7.9	13.3	10.2	4.1	35.5
National Centre for Language Training	-	2.3	2.3	-	4.6
Offshore quality assurance enhancements	3.5	3.0	2.0	2.1	10.6
Offshore compliance enhancements	1.6	1.1	1.2	1.2	5.1
Absorption within portfolio		-2.3	-2.3		-4.6
Immigration & Multicultural & Indigenous Affairs	6.6				
Net additional expenditure	30.6	28.8	26.4	22.6	108.4
Increase in the Educational Services for Overseas Students fee	-3.9	-4.5	-5.3	-6.1	-19.8
Professional Development Visa	-2.2	-3.2	-3.3	-3.4	-12.1
Student Visa Application charge	-13.5	-15.8	-18.8	-21.8	-69.9
Student guardian visa	-0.6	-1.2	-1.2	-1.2	-4.2
Net additional revenue	-20.2	-24.7	-28.6	-32.5	-106.0

Source: *Budget Measures 2003-04*, p117, respective year prices.

AVCC Recommendations

The AVCC has considered the proposed international initiatives against the impact of the additional charges on universities and their students. On balance, the AVCC is unable to support the international package. It would be better not to have the initiatives, some of which have value, than to have the additional charges.

The AVCC recommends that the Government work with the AVCC to develop a better package of international initiatives, funded through direct Government support for a major export industry.

5. Governance and management

Governance

In *Forward from the crossroads* the AVCC argued that the role of Government – Commonwealth, State and Territory – should be to set accountability and regulatory frameworks that support universities' capacity to undertake the full range of activities that achieve their diverse missions. The focus for reform should be to find the right balance between external accountability, which maintains public confidence in the operation of each university, and each university's capacity to set its own direction to achieve its mission and objectives.

The Commonwealth has now set down its preferred position on university governance in its National Governance Protocols for Public Higher Education Institutions in *Our Universities: Backing Australia's Future*. Further, it has tied substantial, *necessary*, increases in Commonwealth course contributions, which would substantially underpin the ongoing quality of university education, to the full implementation of its protocols.

The AVCC is most concerned that governance change has been tied to increases in the Commonwealth Grant Scheme. There is need for debate about governance and there is need in a number of States for change. But it is not acceptable to place universities between different State and Commonwealth positions in terms of their essential base funding.

In terms of the Protocols themselves, the general direction is broadly consistent with the views of the AVCC but in many requirements is far too specific both in the detailed prescription of the size and composition of the Council and in other requirements. This is contrary to the Government's key principle of sustaining and supporting diversity. The test should be that the governance arrangement will be effective, not that it is the same for all universities.

The Government's case is also exaggerated. Only one university has a governing body of 35, 31 have between 18 and 22 members such that the removal of one or two members is unlikely, in itself, to have substantial impact, while 53% of existing members are external to the university, with 36% from business. Of the AVCC's 38 members' universities, 26 have governing bodies with 50% or more members being external⁷.

The AVCC has stated that the membership of university governing bodies must reflect the skills and attributes required to deal effectively with the full range of university activity. But effectiveness is not related solely to size, nor is there any compelling reason to standardise the composition and functioning of university governing bodies.

Enabling legislation should be less prescriptive of stakeholder categories and focus more on the desirable attributes of Council members. It should ensure that all governing bodies have the power to select some, or all, of their own members such that governing bodies possess the necessary skills and attributes and ensure that all members act in the best interests of the institution, and not as delegates representing the vested interests of particular groups. The AVCC welcomes the Government's support for the trustee role of Council members.

⁷ AVCC [Analysis of Australian University Council Membership](#), May 2003

In pursuit of changes to implement these views the AVCC argued that it, with the States and the Commonwealth, should develop a clear and explicit statement of the desired properties of an effective governing body. In support of this the AVCC has developed a statement on university governance that it will finalise in July 2003. On the basis of this statement, and making use of the Commonwealth's proposed protocols, the AVCC and individual universities are willing to work with Governments at all levels to improve governance arrangements through effective national protocols that will support the diversity of Australia's universities.

The Commonwealth has also proposed that there should be an Association of Governing Bodies of Australian Universities. It would be a professional body with responsibility for regular professional development activities for members of university governing bodies. The AVCC agrees that it is important that Council members are supported in understanding their role and developing their skills to perform their role. It is not clear whether a further national body would achieve this. The AVCC considers that the creation of a national association be left to Council members to develop if they consider it would be useful, without it being forced by Government.

Management of workplace relations

The requirements for access to additional Commonwealth course contributions

The Minister has emphasised that universities cannot operate effectively if held within a funding and regulatory straightjacket. The AVCC strongly agrees with this view. It is a core theme in *Forward from the crossroads*.

Some aspects of *Our Universities: Backing Australia's Future* act to reduce the straightjacket but, in terms of university management of workplace relations, universities have found themselves more and more bound to a particular set of changes, not all of which are useful or beneficial to each university.

The challenge for universities is to enhance their individual identity and priorities. There has been a shift away from common, uniform conditions and salaries. Further progress will take time and resources to achieve. However, through appropriate use of the opportunity provided by the enterprise bargaining process, universities, individually, are achieving outcomes that serve their longer-term interests and will continue to do so.

The additional investment promised by the Government will give universities greater capacity to advance further in implementing university level arrangements suited to each and to their staff – but only if universities can access those funds.

Our Universities: Backing Australia's Future states that additional course contributions are conditional on universities' compliance with the Commonwealth's workplace relations policies. This poses serious problems. The Government has not set down which policies it means. Until it does so universities and the AVCC cannot assess whether its expectations are reasonable and are consistent with improving workplace arrangements within each university. There is considerable tension between the Government advocating local level arrangements suited to the enterprise and then requiring a specific pattern of arrangements at a national level.

On the worst analysis university leaders, seeking to develop the best local arrangements for their university, face being squeezed between the different national minimum expectations of the Government and the national union. In such a case universities can only lose, to the detriment of education, research and community support.

The Government must release its requirements so that universities can assess whether they are feasible and helpful such that access to the funding tied to them will be possible. If they are not – through forcing all universities into an unsuitable mold – the substantial additional funding offered in *Our Universities: Backing Australia's Future* will prove a mirage.

The Workplace Productivity Programme

The criteria for access to the Workplace Productivity Programme are not clear. As discussed above, the AVCC supports the capacity of universities to develop flexible and responsive workplaces.

Universities have demonstrated by their success in the existing Workplace Reform Programme that they do have flexible responsive workplaces. There have been two major problems with the existing program:

- the slow progress of assessment, such that the AVCC's call in *Forward from the crossroads* for completion of second round assessments issued in September 2002 has still not been met, some eight months later; and
- some of the particular requirements are not considered useful to improving workplace flexibility by many universities.

The AVCC calls on the Government to provide considered criteria for the new programme that do truly measure actions to increase flexibility and arrangements of advantage to the institution, rather than criteria that presume which particular path must be taken and which may prevent improvements.

Changes to the Workplace Relations Act 1996

The AVCC called for amendments to provide clearer guidance to the Australian Industrial Relations Commission on the circumstances in which it might intervene in industrial action. The guidance should emphasise the centrality of collateral, or third party damage thus giving primacy to the welfare of key stakeholders such as students.

The concern of the AVCC is to ensure that students are not unfairly used in industrial action, not to restrict the legitimate industrial activity of staff. The amendment proposed by the Government seems consistent with this request, depending on the actual wording.

AVCC Recommendations

The AVCC calls on the Government to untie significant additional education funds from requirements for changes to governance and workplace relations. Funds to support the quality of universities' teaching and learning should only be tied to requirements directly related to universities' teaching and learning performance. Instead, the Government should work with universities to support useful changes in governance and workplace relations. To do this:

- **the AVCC urges State and Commonwealth governments to work together with universities to improve governance arrangements through effective national protocols that will provide governance that supports the diversity of Australia's universities; and**
- **the AVCC calls on the Government to provide considered criteria for the new workforce productivity program that will truly measure the effectiveness of actions to increase flexibility and improve arrangements of advantage to the institution, rather than criteria that presume that particular paths must be taken.**

6. Strengthening research capacity

The focus of the Higher Education Review has rightly been on education more than research, following as it does the Government's *Backing Australia's Ability* package of 2001 with its significant changes in research funding arrangements and the level of investment. The additional investment is now coming into effect.

Nevertheless significant issues concerning research remain. *Backing Australia's Ability* attempted to ensure that Australia kept pace with investment in research in the rest of the world. It will have done little to see Australia catch up.

Australia now needs a renewed *Backing Australia's Ability* package – *Backing Australia's Ability II*. The Government has accepted the challenge and indicated that it will be a focal point for the 2004 Budget. The AVCC looks forward to working with the Government to develop the next stage of investment in research. The AVCC will release its detailed proposals for further investment later in 2003.

The focus of this package should be:

- ensuring that all the additional investment committed in *Backing Australia's Ability* is securely committed in the longer term through rolling it forward into the next decade as part of ongoing funding for universities;
- focusing clearly on the need to re-invest in university research block funds:
 - to ensure that universities have research funds to support innovative developments in areas that have not been identified by external agencies as being of importance, thus protecting Australia's future;
 - to ensure that courses remain grounded in ongoing research and scholarship, through supporting a core of scholarship and research in each major area taught by a university; and
 - to ensure that, as new courses are developed there is a viable level of research associated with the field that allows it to develop effectively into the future;
- continuing to build up investment in peer reviewed research, targeted at supporting the best ideas; and
- ensuring that business increases investment in research and development and takes advantage of the new knowledge created.

In this regard the various small initiatives announced in *Our Universities: Backing Australia's Future* set the basis for the next statement:

- the National Strategy on Research Infrastructure is focussed on the essential issue for the next research statement;
- the taskforce considering improved collaboration between universities and publicly funded research agencies is an important element of ensuring an effective research effort;

- the capacity of the Australian Research Council to fund Chief Investigator salaries reduces the impost on the successful university to fund the Chief Investigator but will slightly reduce success rates;
- the evaluation of *Knowledge and Innovation* reforms of the research block funds should help resolve the considerable implementation problems with the changes and serve as a useful warning about the unexpected side effects of complex theoretical funding schemes; and
- increasing scholarships for postgraduate research students in line with population will reduce slightly the number of well qualified candidates not receiving a scholarship but ignores the problems created by the present limit on the number of funded research students.

AVCC Recommendations

The AVCC recommends that the Government's proposed next package of investment in research and development focus on underwriting the base research infrastructure of universities.

7. The financing model

The AVCC proposed a 12 point financing model in *Forward from the crossroads*. The Government has taken up many aspects of this model. The following considers the main aspects of the *Our Universities: Backing Australia's Future* financing model before summarising the outcome against the AVCC's model.

Indexation of Commonwealth grants

A central element of the AVCC financing model is that there be an effective indexation mechanism for university Government funding.

Each year the Government indexes universities' operating grants, including HECS, to reflect cost increases in providing university teaching and research. If the rate of indexation falls behind the real rate of cost increases, then there is an effective cut in resources. Over a long period, the cut can build to substantial proportions. Due to the inadequacy of the index, each year the effective value of university funding drops.

The gap between the existing index and that used for Commonwealth school funding is considerable. The schools index has been increasing by 5% or more most years compared to 2% to 2.5% for the university index. The difference between the two is worth about \$130 million on universities' 2003 funding, a difference that compounds each year an inadequate index is used.

The AVCC is extremely disappointed that the Government has not significantly raised the index, given its willingness otherwise to invest in universities. The lack of a suitable index will mean that the value of the Government's investment will be less each year than it intends. The outcome will be an Australian university sector that cannot fulfil its full potential.

The proposed Commonwealth Grant Scheme

The Government intends to introduce a Commonwealth Grant Scheme (CGS) to replace the existing operating grant. The CGS would clearly differentiate between Government investment and student contributions through HECS-HELP. This will make funding arrangements more transparent. (HECS-HELP is considered in Chapter 3).

The introduction of the CGS is a major change for universities. It is essential that the Government spell out the detail of how it proposes the CGS to work and then consult with universities extensively to ensure the final arrangements are well considered and workable. Universities' experience with the introduction of the Research Training Scheme has shown the gap that can exist between the intent of a theoretical financing system and its reality in practice.

Central planning rather than responsiveness to students

The AVCC's major concern with the CGS, as so far outlined, is that the Government is extending control over each university's mix of courses. The proposed arrangements are of concern for two reasons. First, without further information about how this will operate in practice it is hard to envisage how universities will manage annual fluctuations. Second as the calculation of the discipline mix is based on course rather than program load, student

choices to change discipline mix may have to be constrained, limiting access to a broadly based set of options or electives, thus causing unintended impact on the breadth of the education students receive.

Further, the CGS does not advance towards the more flexible funding arrangements, proposed by the AVCC, whereby universities would be funded for a range of places that adjusts over time in response to student preferences.

- Universities will still negotiate with the Government a set number of student places each year. They will have the flexibility to provide within 2% of the agreed number without penalty.
- The penalty of removing places for under-enrolment of more than 2% over two years creates a partial mechanism to redistribute places but without an upper range of more than 2% (as proposed by the AVCC) there will be limited capacity for universities to compete for students.
- Therefore, it is essential that the distribution of all new places, including the conversion of marginally funded places, take account of hard evidence of demand for particular universities as well as participation rates and actual enrolments. Otherwise there will be little recognition of the importance of student preferences.
- The Government's statement concerning the allocation of the new places is contrary to this logic. It focuses on meeting a centrally determined assessment of workforce and demographic needs. Such efforts have proved ill judged in the past. Given the choice between central Government determined allocations and the opportunity to respond to student preferences, the AVCC believes that student choice is the only workable option. It will reward universities working to ensure quality for students and is more responsive than central allocation can ever be.

In terms of workable program delivery the combination of two targets – one financial based on discipline mix, the other load based on student numbers – imposes a considerable future burden on universities, particularly in the first few years given the unpredictability of the impact of these changes. The provision for universities to be funded at their actual number and mix of students up to 101% of the agreed funding provides a buffer for universities managing the changing needs of students. The exact level of the buffer needs consideration against the likely level of change within a year against the discipline mix.

Additional university places

In *Forward from the crossroads* the AVCC has proposed that the Government should fund an additional 20,000 university places by 2007 over the 2003 target levels. These places were to replace marginally funded enrolments, and provide the basis for competition among universities for students.

The Government has broadly achieved the AVCC target. In 2007 it plans to fund some 24,000 extra places through the conversion of marginal places, additional places for medicine and nursing, and the first allocation of general new places. Once fully implemented the Government has committed to more than 28,000 additional funded places.

The issues concerning the potential for Government central planning of courses outlined above apply equally to questions about how the additional places will be allocated among universities. This process must focus on student demand, participation rates and actual enrolment levels.

The decision to convert marginal places into full places lays the base for a critical further expansion, to meet the future need for university education as we increase the extent of university education among Australians, in pursuit of the AVCC target for 2020 of 60% of Australians with degrees.

Universities have been working to reduce over-enrolment due to the marginal funding for those places. The conversion ensures that those places will be provided in future years. Further, with appropriate funding all universities will be able to compete for those places.

There are also issues about the precise mechanism for the conversion to ensure that universities with high levels of marginal places are able to adjust effectively.

Commonwealth course contributions

The proposed discipline-based funding formula is based on a balance of funding across disciplines first established in 1990. Of some accuracy then, it is now of dubious validity.

The AVCC argued for funding to reflect discipline profiles but believes that this must be based on a reassessment of the relative balance among the disciplines. The previous exercise was flawed due to its methodology, which meant that it could only report back the previous relativities among disciplines. That must now be reconsidered, through an approach that can assess changes in the relative likely cost of effective provision, without being limited to what is actually being spent, driven as that is by the 1990 relativities.

The AVCC supports the calculation of base funding for all universities by the same levels, putting all universities on the same starting point, as long as no university would receive less for the same profile of students. The additional funding (of 2.5% rising to 7.5%) is an excellent decision to underpin the quality of learning by students, and is a noteworthy step towards the AVCC's proposal for additional funding of \$1,200 per place so long as it is maintained and improved from 2008 onwards.

The problems created by tying the additional funds to governance and workplace relation requirements have been outlined in Chapter 5 above. In terms of quality the Government is risking many students missing out on the benefits of the additional funds, undermining its reform package.

In addition, universities require urgent clarification of exactly what existing funding items have been subsumed by the CGS in order to assess the impact of the proposed arrangements.

National priority areas

The AVCC has suggested in *Our Universities Our Future*⁸ that one aspect of a financing framework could be for national priorities. The Government has accepted this suggestion and is focusing on improving the training of nurses and teachers.

The AVCC supports the Government in doing so, and welcomes the acknowledgement that shortages in nurses and teachers are as much a question of effective remuneration and conditions for those professions as in the supply of new graduates.

The provision of additional funding for practicum for both disciplines recognises the substantial cost universities bear in ensuring graduates are ready for practice upon graduation. The AVCC wishes to understand more clearly how the Government intends to 'require' the use of those additional funds before deciding its position on the proposal.

The AVCC also observes that the restriction on the HECS-HELP that can be charged for nursing and teaching could serve to discourage universities from offering places in these areas, unless the additional funding from the practicum of \$600 a student is considered sufficient to counter the potential for additional HECS.

Funding of private providers

The national priorities are also to be used to provide a clearer base for the funding of other higher education institutions to provide teaching and nursing degrees. Clarification of the status of these bodies is essential since those which are now funded, are only partially subject to the full requirements met by universities. The AVCC notes that eligible providers are only those listed on the registers of the Australian Qualifications Framework's list of self-accrediting institutions.

While concerned about the potential to dissipate funds among too many institutions, the provision of additional places to these organisations consistent with a set framework is supported in the context of substantial additional places and funding for universities. It is essential that the providers of those places be subject to the same requirements as universities.

Learning entitlements

The AVCC supports the right of universities to decide to whom they allocate limited funded places.

In 2002, 10% of commencing undergraduates had a bachelor's degree, and further 14% had partially completed a bachelor's degree. The reasons for studying for a further degree, or changing part through a degree, are many, covering a complex range of cases. The AVCC has concerns that the Government's limit of entitlement to five years may disadvantage many legitimate applicants – people who cannot be called "perpetual students".

Effective and know arrangements for Australians to earn additional credit are required to ensure that any limit on access to funded places is sensibly applied. This is an essential underpinning to supporting relearning and reskilling as people's employment needs change.

⁸ AVCC, [Our Universities: Our Future - An AVCC Discussion Paper](#), December 2000

The AVCC understands that it will be 2010 before any person could be caught by the limit. Despite that, it is important that the intention to create additional entitlement be spelt out early and clearly to encourage people to reskill. The Government needs to legislate up front for this entitlement to remove any doubts about it.

The AVCC is also concerned that the policy will not provide effectively for all legitimate pathways to a degree. Not all students will enter universities able to enrol in the course of their first preference. Yet, through successful completion of a first or second year of another degree, they may establish their capacity for the desired course. These arrangements need to be covered by the entitlement. Otherwise the scheme will favour the traditional university student with high entry score and a clear goal, acting against equity and excellence.

Regional funding

The AVCC financing model proposes that there be contestable funding to support universities' regional engagement. The Government has taken up this proposal, by creating a regional loading for university campuses outside of major metropolitan areas. The AVCC supports this element and welcomes the Government's willingness to provide additional funding for at least some universities in 2004. However, metropolitan universities that have an urban regional mandate and the costs of a multi-campus operation will not benefit from this proposal.

There are issues about the precise criteria to be used for the program. Many regional universities have extensive off campus provision that is central to their role as regional providers which target many non-traditional students. Exclusion of distance students may distort the impact of the scheme. The Government must consider universities' concerns about the precise criteria used to determine eligibility of campuses, as well as their position in particular bands, before finalising the regional funding arrangements.

Support for diversity, efficiency and partnership

The AVCC has proposed in *Forward from the crossroads* a program to support universities to enhance their operations through refocusing effort, either away from or onto particular areas, as well as to support greater collaboration whether with other universities or other bodies.

The Government's Collaboration and Structural Reform Fund addresses this need, albeit at a significantly lower level than proposed by the AVCC. The AVCC notes the proposed Business-Industry-Higher Education Collaboration Council that will oversee the fund. The AVCC requires further information about the proposed Council to understand its intended role. Structural reform is an issue that affects a much wider group than just business. The AVCC would be concerned if business were to have too dominant a role in the allocation of these funds.

Ensuring a smooth transition

The Government's transition program may not prove sufficient.

Financially, as outlined in *Forward from the crossroads*, the AVCC expects that no university will receive less for its existing profile of students than under existing arrangements. The AVCC seeks confirmation that the Government's transition program will be sufficient to ensure this outcome.

The transition must also work effectively in terms of universities' capacity to move from existing arrangements to the new requirements with different load and funding arrangements and the considerable unpredictability in the first few years. The AVCC expects the Government to work through the implementation of the new arrangements with the AVCC and universities.

The outcome against the AVCC university financing model

Our Universities: Backing Australia's Future has taken up the essence of five points from the AVCC model:

- a core grant for each university, with some protection against a university receiving less in the future for its present profile of students;
- increases to the core grant, but these are tied to conditions not connected to the quality of teaching and learning. These conditions could prevent the increase being accessed by many universities;
- increased number of appropriately resourced places;
- a variable HECS arrangement, and an increased repayment threshold (that needs to rise further); and
- funding for universities' regional roles.

The Government has partly addressed three points from the AVCC model:

- a new scholarship scheme and some additional funding for equity but the AVCC would like to see more funding targeted at universities' achievements in enrolling and graduating students from under-represented groups that will balance additional income from variable HECS-HELP charges;
- some flexibility in targets for universities with the reallocation of under-used places, but it has included no strong commitment to allow allocations to respond to student demand, participation rates and university performance; and
- some funds to encourage specialisation, diversity and efficiencies but insufficient given the importance attached to these objectives.

It has failed to take up two points from the AVCC model:

- there is no improvement to indexation arrangements so as to ensure the core grant's real purchasing power is maintained into the future; and
- there are no changes to student income support arrangements to ensure that students do not need to work long hours to support themselves.

Finally, two points from the AVCC model remain for the Government to address:

- further investment in university research; and
- support for universities' private sources of investment.

AVCC Recommendations

The AVCC restates its strong recommendation that the Government index both its funding and HECS levels by the same level as schools' indexation arrangements.

The AVCC urgently calls on the Government to assure universities that it does not seek to determine centrally, and externally, the internal balance of university activity, but will rather let universities develop (within agreed funding levels), in response to student demand, regional participation rates and community needs.

The AVCC calls on the Minister to make available clear information and detailed guidelines relating to the new Commonwealth Grant Scheme (and other funding arrangements) to allow universities to assess how they should take advantage of the Government's reforms.

The AVCC recommends that, given the complexity and initial unpredictability of the impact of the new Commonwealth Grant Scheme, there be clear transition arrangements for its introduction to ensure no university is unfairly affected.

The AVCC recommends that the proposed funding levels for each discipline group be reset following assessment of the cost of effective provision, without being limited to what is actually being spent now on each course.

The AVCC recommends to the Government that it make clear its ongoing commitment to supporting Australians in life long learning by legislating the basis for renewing learning entitlement as part of the legislation to introduce the entitlement.

8. Regulation, reporting and accountability

The Minister has expressed strongly the need to reduce the level of regulation and reporting imposed on universities to allow them to flourish against their diverse missions. The AVCC has welcomed these statements by the Minister.

In introducing a new financing system there will be new elements of regulation, reporting and accountability. They need to replace previous arrangements. But consistent with the Minister's intent, the new arrangements also need to provide a less regulated sector with fewer reporting requirements and not be extremely costly to implement.

The AVCC is concerned that this will not be the case. There are a number of areas where the Government has set down defined requirements that universities must meet relating to their internal arrangements:

- the governance protocols are very specific about the workings of councils rather than defining the desirable outcomes;
- the workplace relations requirements, both for the additional Government course contributions and for the Workplace Improvement Programme, while as yet ill-defined, tend towards determining particular arrangements;
- the proposed ban on charging students for student services seeks to dictate the precise services provided to students and restrict the flexibility in charging explicitly set out in the package. The services provided by a university and the charges for them should be one of the variable options that students consider in choosing which university and course they wish to enrol in;
- the requirements for agreeing each year the course mix of each university could be used by Government to control course offerings nationally rather than allow universities to respond flexibly to demand and pursue their own missions; and
- the details of smaller programs like the revised Equity Program tend towards rewarding particular approaches rather than providing incentives for desirable outcomes.

Together these examples point to considerable potential for tight control of universities, contrary to the Government's stated intentions. The provision of more flexibility in terms of student charges does not offset these other requirements. It is essential that the Government consider the total regulatory burden its package could create and work with the AVCC and universities to agree a sensible and realistic set of requirements that will provide sufficient surety of university achievements, while giving universities the flexibility to optimise their achievements.

Closely related to these broad concerns about the level of regulation and reporting are the implications of the proposed Higher Education Information Management System. It is the main means by which the Government proposes to manage the complexities of the learning entitlement, the various loans schemes and scholarships.

The AVCC and universities are willing to work with the Government to ensure a modern reporting system but the AVCC restates the importance of:

- providing no more than the data essential to the Government;
- not providing personal details about students; and
- not allowing external agencies direct access to active university data bases.

The AVCC is particularly concerned about the cost for universities in implementing any changed arrangements and whether the proposed funding of about \$200,000 per university will be sufficient.

AVCC Recommendations

The AVCC recommends that the Government examine closely the array of regulatory and reporting requirements generated by its reforms to ensure that they do not act against its intentions through stifling the individual development of universities.

The AVCC urges DEST to work with the AVCC and universities to consider the details of the proposed Higher Education Information Management System, and restates that any system must involve reporting the essential information only, and build off the preferred information collection arrangements of each university.

Attachment A: The Government's proposals compared with *Forward from the crossroads*

The AVCC set down 42 recommendations and conclusions in *Forward from the crossroads*. The following section notes the action indicated by the Government against each.

Quality Through Diversity

1 A policy environment which supports diversity

The Government has made a number of proposals which support and enhance institutional diversity, including support for collaboration between institutions (Section 9), and for innovation in teaching and learning (Section 5). Conversely some aspects enforce a common approach on universities that could restrain diversity.

3 No re-establishment of a binary university system

The Government has explicitly stated that it does not intend a return to a binary system, at least as far as the (re-)development of teaching-only institutions is concerned (Section 5, page 28). The final measure depends on how well the various incentives in the package do support the full range of institutions.

4 Support for the interrelationship among teaching, learning and research

The Government has proposed a number of initiatives which would support and enhance the teaching and learning functions of universities (Section 5). There is no explicit support for the interrelationship among teaching, learning and research

5 Support for education that develops critical and creative thinking in students

The policy paper does not offer any explicit commitment to, or comment on, this principle.

6 University responsibility for the development of teaching and learning practices

The establishment of a National Institute for Learning and Teaching in Higher Education (Section 5.1), supports innovation in teaching and learning processes. It appears that the Institute will leave the bulk of the responsibility for the development of teaching and learning practices with universities themselves.

7 Government role is to fund innovation in teaching practice

The Government will provide funding for innovation in teaching practice through the National Institute for Learning and Teaching in Higher Education.

9 No external instructor accreditation

There are no proposals for a move towards external accreditation of instructors.

9 Promotion through recognition of scholarship and teaching

The Learning and Teaching Performance Fund (Section 5.3) would provide financial incentives for the adoption of promotion practices which recognise professional development and excellence in teaching.

11 No compulsory use of the Graduate Skills Assessment

The Government has recognised that there is limited support for the Graduate Skills Assessment from students. Accordingly it will fund the promotion of the GSA to employers (Section 10.3), with a long-term objective of making it a “standard recruitment tool”. There is no proposal that the Assessment will be made compulsory.

12 Support for university based development of more explicit course standards, of criterion-based assessment, inter-university dialogue on learning outcomes and assessment, use of a common grading scale

13 No formal national standards or national external validation of standards

It is likely that the National Institute for Learning and Teaching in Higher Education may serve to support the development of more explicit course standards, criterion-based assessment, and a common grading scale, as well as encouraging inter-university dialogue on learning outcomes and assessment. It should do this to assist universities not through external enforcement on universities.

14 Creation of a national higher education data agency

While the Government supports the creation of a Higher Education Information Management System, it explicitly rejects the notion that the objectives of such an undertaking would be best served by the creation of a separate data agency (page 42).

Equity of Access to Universities

The Government proposes a number of measures intended to improve equity of access to universities (Section 7), including increased funding for the Indigenous Support Fund and the Higher Education Equity Program.

15 Substantial contestable funding to support students from under-represented groups

The Government proposes to create scholarships for such students as well as review the Higher Education Equity Program (Section 7.4) to ensure that its objectives are being met. Funding for the Program is to be increased from 2005, following revision of the funding formula to include performance-based criteria. Combined these initiatives fall short of the \$200 million target for 2007 proposed by the AVCC.

15 Expansion in the number of funded places

The Government has proposed a significant expansion in the number of funded places.

15, 18 *HECS-free enabling courses, including for Indigenous students*

The Government has proposed the establishment of a Learning Entitlements system allowing access to up to five years of full-time study (Section 2.8). Enabling courses will *not* affect a student's Entitlement. Such courses will remain HECS exempt.

Indigenous Australians in Higher Education

The Government has proposed additional funding for the Indigenous Support Fund (Section 7.1) and a scholarship scheme for Indigenous university staff (Section 7.2), as well as the introduction of Commonwealth Education Costs Scholarships (Section 4.1), Commonwealth Accommodation Scholarships (Section 4.2) for students from disadvantaged backgrounds (including Indigenous students).

16 *Review student support arrangements for Indigenous students*

No change to Indigenous income support arrangements.

16 *Establishment of Centrelink offices on university campuses*

This is not addressed as part of the package.

17 *Targeted funding for universities to support Indigenous students*

Funding for the Indigenous Support Fund has been increased.

18 *Expansion of the Aboriginal Tutorial Assistance Scheme to enabling courses*

The Government does not appear to have adopted this recommendation.

19 *Additional new Australian Postgraduate Awards for Indigenous students*

The Government has not adopted this recommendation, although the number of new postgraduate scholarships awarded will be increased by 31 by 2007 in line with population growth.

20 *On-going funding for Indigenous Higher Education Centres*

The Government has made no explicit statement on funding for Indigenous Higher Education Centres.

21 *Establishment of a Ministerial Higher Education Indigenous Advisory Council*

The Government has proposed the establishment of an Indigenous Higher Education Advisory Council (Section 7.3), in line with the AVCC's proposal. The Government has also proposed that institutions establish Advisory Committees on Indigenous issues (Section 7.1).

An Effective System of Student Support

The Government has proposed the introduction of Commonwealth Education Costs Scholarships (Section 4.1) and Commonwealth Accommodation Scholarships (Section 4.2) for students from disadvantaged backgrounds.

8, 22 *Restructuring of student income support systems*

Other than the initiatives noted above, the Government has not made any commitment to restructure student income support systems. From 1 April 2004 Austudy recipients will be subject to 'profiled reviews'.

The Value of International Education

The Government has recognised the need for Australia to maintain its competitiveness in the international education market, but has made only limited proposals which might support the nation's reputation as a provider of high-quality, cost-effective higher education and proposes to fund these primarily from new imposts on education providers and international students. These include the extension of Australian Universities Quality Agency audits to offshore campuses of Australian institutions (Section 10.1), and the establishment of a new scholarship program for international students (Section 4.3). The Government has also proposed the establishment of four new International Centres of Excellence in specific fields, along with a new National Language Centre (Section 5.4).

23 *Recognising the importance of the internationalisation of Australia's universities*

The policy paper makes a number of comments in support of the internationalisation of Australia's universities, but commits less than \$10m over four years of its own money.

24 *International promotion of Australian education*

The international package includes the promotion of Australian education overseas, including through government-to-government discussions.

24 *Improvement of community understanding of the benefits on internationalisation*

The Government has not made any comment on this recommendation.

24 *Reduced visa and related charges for international students*

The Government has increased the student visa charge from \$315 to \$400. CRICOS registration fees for education providers have increased 13 fold.

24 *Support for Australian students undertaking overseas study*

The Government has proposed a new deferred-repayment loans scheme to support students undertaking study overseas (Section 3.3).

24 *Establishment of awards for excellence in international education*

The Government has not adopted this recommendation.

Effective Linkages Between Universities and Vocational Education and Training

The Government has proposed the establishment of a Collaboration and Structural Reform Fund (Section 9.1), which would in part support collaboration between VET providers and universities. Otherwise, the Government has not addressed VET linkages in this package.

25, 26 Strengthen pathways for university entry from VET courses

26 Effective grading of VET outcomes with respect to university entry

26 Improved information on available pathways and credit recognition

26 Development of pilot higher education sub-degree programs

27 Development of consistent recognition by VET sector of university graduates' skills

28 Re-formulation of the Australian Qualifications Framework

The Governance and Management of Universities

A significant component of the proposals in *Our Universities: Backing Australia's Future* are tied to the National Governance Protocols for Higher Education Institutions (Attachment A). Adoption of these Protocols is a pre-requisite for the increased base funding proposed in the paper. There is also an over-arching commitment to on-going rationalisation of reporting requirements (Section 2.10), even though it is acknowledged that some of the new measures being introduced are likely to involve an expansion in reporting requirements.

29 Supportive accountability and regulatory frameworks at all levels of government

The Federal Government has undertaken to continue work with State and Territory Governments to minimise reporting requirements (Section 2.10).

30 Appropriate balance between accountability and university autonomy

The Government has not addressed the issue of university autonomy in its governance protocols.

31 Accountability to accommodate universities' privately-funded activities

The governance protocols address the need for effective supervision of controlled entities.

32 Governing bodies able to deal with the full range of university activities

The governance protocols incorporate this objective.

10, 33 Streamlined and focused reporting arrangements

This objective is supported in principle throughout the policy paper. The proposed Higher Education Information Management System (Section 11) appears in part to be aimed at achieving this objective, but must balance streamlining of reporting

requirements against the additional demands of many of the Government's proposals in the package.

- 34 *Governing bodies able to draw on a wide range of skills and attributes*
- 35 *Explicit statement of the desired characteristics of an effective governing body*
- 36 *Governing bodies able to select some members based on desirable skills*
- 36 *All members of governing bodies able to act in the best interests of the institution*

Each of these recommendations is addressed by the proposed governance protocols, but the protocols are much too prescriptive in many areas, including council composition and functions.

- 37 *Financial support for development of appropriate salaries and terms of employment*
- 38 *Finalise the second round applications for the Workplace Reform Program*

Both these recommendations are addressed in part in the Government's proposals for further changes to higher education workplace relations (Section 8).

Financing Effective Australian Universities

Our Universities: Backing Australia's Future includes an additional \$1.4 billion in additional investment over four years (Section 1.3), significant parts of which are yoked to the acceptance of various workplace relations, governance and other reforms.

2, 39 *Effective national investment in universities*

The Government claims that the net effect of the various measures proposed in *Our Universities: Backing Australia's Future* will provide in excess of \$10 billion in additional support for higher education over the next decade – approximately \$6.9 billion in direct additional funding, and \$3.7 billion through student loans. This will improve the level of Government investment in higher education as a percentage of GDP.

40, 41 *Reform funding to support diversity of universities' activities*

The full balance of the various additional programs is not yet clear. The package includes elements to support regional provision and funds for teaching and learning performance that provide a wider range of incentives than present funding arrangements.

42 *Removal of State Government payroll taxes from universities*

There are no proposals concerning payroll tax.