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**Speech to  
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***Making the Boom Pay: securing the Next Generation of Prosperity***

**'The University Sector in the Next Decade'**

*\*\*\* Check against delivery \*\*\**

National prosperity and continued economic growth will be built on the back of Australia's capacity to increase knowledge, skills and innovation.

We cannot make the boom pay if we do not lift our knowledge base, increase the skills of our people to drive productivity and capitalise on our creative endeavours.

The boom *will* burst, and its windfall gains *will* be squandered unless there is a change in direction from Canberra.

Already this week the Treasurer is sounding warnings that commodity prices may have peaked. If his prophecies are correct, then current Government policy will be viewed, at best, as reckless.

At worst, failing to prepare for tomorrow in a time of plenty shows negligent disregard for our future prosperity.

This is particularly so when the chronic shortage of skilled workers, both technical and professional, is routinely identified as one of the most significant constraints on continued growth.

Earlier this week Monash University's Centre for Population and Urban Research said that 'Australia faces a crisis in the availability of university-trained personnel'. The *Clearing the Myths Away* Report says that Australia's education levels have fallen well behind the needs of the modern workforce. Our modern economy needs more trained workers for the increasing number of managerial, professional and associate professional positions.

Current education and training policies are not providing them.

The Report highlighted that:

*‘the number of commencements at the undergraduate level on the part of domestic students in Australia in 2005 was much the same as it was when the Coalition came to Government in 1996’.*

‘Much the same’. That’s not good enough.

The Howard Government has asserted over the years that we cannot lift participation in both trade training and university education. These assertions were attacked by this Report as ‘not supported by the empirical evidence’.

The fact that university commencements by Australian undergraduate students are virtually the same as they were ten years ago, is holding back our prosperity, and resulting in serious skill shortages.

Labor will encourage more Australians into university. Our White Paper presented several options on how to relieve the massive HECS burden shouldered by students, which has doubled under the Howard Government, get rid of full fee degrees, and options to improve income support for students while they are studying.

On all of these issues, the Howard Government remains silent.

Sustaining growth in our modern economy requires a highly skilled workforce right across the board – trades, technical and professional.

Labor has been campaigning hard on addressing this skills crisis. We have already announced many new initiatives – for schools, for apprentices, for our universities. Action is needed across the education spectrum.

Australia can only produce these skills if we make the necessary policy changes and funding commitments to our education system.

Reinvesting in our education system, in our universities, our TAFEs, and our schools, is a national economic imperative.

We are now witnessing the impact of the vicious budget cuts to training and higher education made by the Howard Government. This has given Australia the dubious honour of being the only advanced economy to reduce public investment in tertiary education, in our universities and TAFEs, since 1995.

The only one. And that’s a title Australia has held alone for the second year in a row.

This most damning statistic for Australia from the OECD shows that our public investment in tertiary education has declined 7 per cent relative to 1995 levels. By contrast the average for our competitors was a 48 per cent increase in investment.

I have had much to say recently about the policies Labor will take to the election to encourage more people into the trades, to address our national shortage of technical skills. But today I want to focus on our universities.

What scene confronts our universities?

- Commonwealth funding as a proportion of total revenue has fallen from 60% to 40% in ten years.
- Student fees and charges accounted for 11% of revenue in 1994, rising to 22% in 2005.
- Dependence on international fee income has increased by nearly 12% in the last year alone to an all-time high of 15.1% of total revenue. At one university, international student fee income now accounts for 46% of operating revenue.

The Federal Education Minister has been pointing the funding finger in all sorts of directions recently – alumni, philanthropists, State Governments – when the Federal Government’s own pockets are overflowing with royalties reaped from a global economic boom.

Universities have chased the overseas student dollar out of necessity. They have focused on courses where they can attract students rather than investing in areas of national importance.

Let me make it clear, Labor supports the international fee paying market – after all it was a Labor Government that opened up this important export industry for Australia, now worth \$8billion.

The influx of international students onto our campuses has enriched our culture and society.

But both Australian and international students are rightly concerned that they should not be seen as a cash cow. They demand, and deserve, a quality education.

Providing a higher education requires more than just hanging out your shingle and hiring an education agent. Universities are more than shopfronts.

In June 2006, the Asia Working Group advising the Prime Minister’s Science and Innovation Council reported:

*“There is the belief held by the working group that the quality of our university degrees is declining.”*

The Government itself recognised the problem as a part of Brendan Nelson’s Crossroads Review in 2002 when this discussion paper noted:

*“falling standards, courses lacking academic rigour, deterioration of the calibre of students entering university, and claims of soft marking.”*

But nothing was done to address these concerns.

Funding cuts have pressured universities to chase fee paying revenue, increase student numbers, raise student to staff ratios and class sizes, cut back tutorials and cut corners on student assessment.

Most significantly, funding pressures mean the reputation of Australian degrees are at risk.

Some calculate reputation risk as the most significant threat facing Australia's university system.

At the system level the responsibility for this reputation lies with the Federal Minister. A responsibility not to trash talk the sector, but to commit to safeguarding reputation by putting the systems in place that will assure degree standards.

The time for action has arrived.

We need to raise higher education standards generally, to give our students the best opportunity to develop their abilities and for Australia to build a competitive economy.

Our students deserve to be confident that they are receiving a high quality education, and that their degree will be recognised, in Australia and overseas, as a credible qualification for work and further study.

Employers are entitled to expect the highest standards when they hire Australian graduates. They should also understand the meaning of different grades of higher education attainment.

Our nation's fourth largest export industry – international education services – must be protected, and the reputation for quality that has unpinned its growth is paramount.

A first class honours degree should be first class, no matter which university it comes from.

Yet there are no systems in place in Australia for assuring the standards of degree quality.

Recently I released a comprehensive White Paper on behalf of Federal Labor. It is a detailed and serious examination of the position of Australia's higher education system, and what is needed to move the system forward.

This is because Labor fundamentally believes that Australia's future in a highly competitive global economy can only be built with a world class university system.

And world class universities must be assured by high quality standards.

Labor will make sure our universities are funded to meet those standards by providing adequate indexation of university grants.

And that's why we have also proposed a tough new standards watchdog – a new Higher Education Quality Agency.

The Agency will be jointly owned by Commonwealth, State and Territory Governments and its task will be to bring consistency to accreditation, assessments and evaluations of higher education quality.

Labor's approach is not one of taking over responsibilities from the States. Rather it is to work with them cooperatively to achieve agreed goals.

An example of the 'modern federalism' Kim Beazley described today *in action*.

Since releasing our White Paper I have been all around the country, talking to Vice Chancellors, staff, students, business and other community groups who have an interest in the health of our university sector.

Overwhelmingly there has been acknowledgement that as a system, more needs to be done on quality.

Labor will lead the quality agenda.

I've been listening to the comments from the higher education sector, and taking some of the very constructive suggestions on board as we develop our final policy.

I can say this: our new approach to quality won't be caught up in red tape. It won't add to the compliance burden. It won't be an inspectorate of Commonwealth officials touring our campuses. Our focus is on standards, and the standards we expect are to be properly evaluated by the experts and peers of those who are doing the teaching and conducting the research.

Labor believes that it is the role of Government to ensure quality of educational standards, rather than interfere in the internal management of universities with excessive controls on inputs and processes.

Our new funding system will free institutions from the red tape burden and funding straightjacket imposed by the present Government in 2003.

Our universities need a financing and regulatory system which promotes, not stifles, innovation and diversity.

Our White Paper proposes to do away with the current funding clusters approach. An approach bedevilled by quotas, targets and penalties, so precise that institutions are expected to ensure their student enrolments are within one one-hundredth of their target load.

On Wednesday we learned in Senate Estimates that the Minister has issued new Guidelines waiving the penalties universities face if they under enrol by more than one percent. I welcome this move, prompted no doubt by seven universities that have publicly declared to be under enrolled in 2006.

Had the Minister allowed the current law to apply, funding penalties would have been imposed.

But this is only a temporary reprieve. The under enrolment penalty waiver is for 2006 only.

Enrolment targets are not the only areas where the Government needs to make a policy change to reduce the burden of red tape.

Yesterday the Productivity Commission warned that the Government's proposed Research Quality Framework could be costly, complex and place an additional burden on research and development.

That is a burden we cannot afford.

We cannot expect our universities to be performers on the world stage, and contribute to our national economic prosperity if they are so tightly controlled by Canberra.

Labor will not proceed down the RQF path. We think it is too much paperwork for too little return. We do support high quality research and Labor would work with the peer review systems already in place, with institutional self assessment backed by external validation by peer review through the new Quality Agency to minimise the regulatory burden while maximising the quality of research.

Comprehensive research, science and innovation is critical to Australia's economic growth, and will deliver economic, social and environmental benefits.

It must be supported by both funding, and a quality framework that is valid and reliable.

Labor has proposed a major policy shift for the university funding model. To unshackle universities from Brendan Nelson's straightjacket we propose funding based on negotiated compacts, tailored to a university's individual mission.

Labor supports innovation and diversification in the provision of higher education. For the Howard Government this is just a slogan to be repeated, and repeated, with no policy grunt behind it.

For Labor it means building on the individual strengths of Australia's universities through our mission based compacts, which will be negotiated around four components of education, research, community outreach and innovative activities.

Rolling triennial funding will be restored to give universities certainty in planning.

Within the framework of its negotiated mission compact, a university will not be constrained by its historical structure of provision. Within their overall budgets universities will be able to shift places from low to high cost fields, or vice versa, without requiring approval from Canberra each and every time. This approach restores a confidence in our universities, who in return will be accountable to Government for the results they achieve.

The next decade requires our university system to expand participation, to innovate and diversify, to conduct high quality research.

Labor has put forward a detailed program of reform to achieve these goals.

This year we face a long, hot summer.

The last summer before the Federal Election, due late next year.

The heat is sweating a climate change reality into the Prime Minister's mind. Unfortunately for Australia whether it's climate change or education, the Prime Minister seems only concerned with his own political future not those needed for the country.

Labor's policies are policies for Australia's future.

Over this summer I will be working at turning the options presented in our White Paper into policy positions, fully costed and ready for the election.

Because it is an important election for Australia's universities.

The current Government's track record speaks for itself. It is holding our prosperity back.

Labor wants to see the benefits of our boom invested in our future, and key to that future is lifting our universities to build Australia's future in the world.