



DR BRENDAN NELSON
Australian Government Minister for Education,
Science and Training

Media centre

Speech

Pursuing Opportunity and Prosperity

Thursday 13 November 2003 MIN 527/03

A speech spoken to by Dr Brendan Nelson MP at the *Pursuing Opportunity and Prosperity* conference - The University of Melbourne, Thursday 13 November 2003.

Ladies and Gentlemen,

First, I wish to congratulate the Melbourne Institute of Applied Economic and Social Research and *The Australian* Newspaper for organising this conference.

The theme of the conference, *Pursuing Opportunity and Prosperity*, is particularly relevant to higher education reform, and it is this subject about which I wish to speak to you today.

If I could just start with an advertisement that appeared in several Australian newspapers last year.

This, I think, encapsulates in a very real way the importance of reform.

Here we have an international university recruiting Australian undergraduate students on the promise that this is where they will get a quality education at a world-class institution. More and more international universities are encroaching on the territory of our own universities, taking our students offshore to get their higher education.

Rupert Murdoch and others have argued strongly that unless this country can attract and retain the best academics and the best students - by providing them with the level of remuneration which makes Australia an attractive working place - we will become an economic and academic backwater.

Mr Murdoch said "institutions of higher education have the capacity both to develop the strengths of our own citizens and to attract a wealth of human power from elsewhere." He stressed that "the key to the future of any country is not its physical resources or industrial capital; rather it is human capital that will fund the health and the growth of nations in the next thousand years."

If Australia is to remain internationally competitive we must foster all aspects of our social and economic framework, and most vitally, build on our education system. Australia's ability to maintain competitiveness as a nation will increasingly depend on the knowledge,

the problem-solving skills and the innovativeness of the Australian workforce.

It will depend on our institutions' ability to compete internationally on all fronts: teaching, research, and engagement with the outside world, particularly commercialisation.

Some universities in Australia are not doing too badly in the latter regard:

- The University of Queensland, with a research budget of at least \$268 million, formed seven start-ups and earned \$52 million in commercialisation revenues from licences and cashed-in equity in 2002. This compares favourably with a) Stanford University, which, with a research budget of around US\$800 million, formed a comparable 13 start-ups, and generated US\$53 million in revenues from royalties and from liquidated equity; and b) MIT, which, with a research budget of around US\$900 million, formed 23 start-up companies, and generated US\$35.7 million in gross revenue.

However, there is still great scope for improved commercialisation outcomes from all Australian universities.

The activity among public sector research institutions in Australia is highly uneven, with just six universities accounting for 90% of the \$99 million generated in gross licence income by public research entities; and just four universities accounting for 59% of invention disclosures in 2000.

Yet, even so, there is nonetheless a limit to what can be achieved in this regard even by the most successful institutions:

- In a report on best practice in commercialisation commissioned by the Government last year, Howard Partners concluded: "Even in the best case research commercialisation can only generate 3-5% of a university's revenue. Hence neither governments nor universities should pursue research commercialisation solely or primarily as a major source of revenue. However the direct and indirect benefits to the university and the economy can be considerable."

In the end universities have to be world-class in as many ways as possible.

This includes teaching of course. Irrespective of their circumstances, Australians need to be able to fulfil their potential for learning facilitated by universities offering teaching that is of the highest quality, and deeply rooted in scholarship.

Quality universities in Australia are striving for international best practice – the higher education reform consultation process consistently reaffirmed this as a critical enabler to avoid mediocrity.

Our nation's future – supporting a knowledge society into the 21st century – and prosperity, is dependent on their achieving this. The reputation of Australian higher education overseas could be compromised if quality cannot be maintained.

But without significant change, more students and staff will be lost overseas as the quality of Australian education deteriorates.

Students increasingly expect quality outcomes for their commitment – an issue that raises significant challenges for today's university administrators.

Universities have ceased to be the preserve of the elite few. The number of people taking up a university education in Australia, for example, has grown phenomenally over the last 50 years. There were about 30,000 students in tertiary education in 1950. Across the country we have almost 900,000 students in study - an increase of more than 45% in the last decade alone.

Australian universities do not have the capacity to continue to meet this demand and provide a high quality education under the current policy constraints.

The fact is that the existing funding and regulatory environment will not sustain a quality and internationally competitive higher education sector. The current arrangements are already impacting on the viability of Australian higher education, affecting teaching choices and learning outcomes, the viability of campuses, and our ability to improve higher education outcomes for disadvantaged groups.

This may sound grim but the stark reality is that our universities are on a collision course with mediocrity. The symptoms speak for themselves:

- Growth in university places has not kept pace with growth in demand. While there will always be some proportion of unmet demand in the sector, the number of eligible students not receiving a university place this year is somewhere between 18,700 and 25,700 according to Australian Vice-Chancellors. Forecasts suggest however that there will be falling demand in some states and strong growth in others in the years to come.
- With the current strong demand, many institutions are enrolling students well beyond their capacity, placing serious pressure on quality and causing overcrowding.
- Despite the high demand for university places, some 30% of students who commence a course will never complete it. Australia is below international standards in terms of the number of students it retains through to completion.
- Excessive reporting requirements are placed on universities by both State and Commonwealth Governments, and other agencies. These arrangements need to be better targeted and coordinated to ensure that reporting is appropriate and reasonable.
- Pattern bargaining in the sector has flattened the distribution of salary levels across universities – meaning that the mediocre performers get paid as much as the top performers.

If we do not get to the heart of these issues and put in place appropriate mechanisms to strengthen the quality of higher education in Australia, we will all suffer the consequences in the long-term.

We expect our sporting teams to be the best in the world. And often they are.

We expect our scientists and researchers to be world class. And they rarely disappoint. They achieve this through ongoing innovation and excellence, by continually pushing the envelope, by embracing change, and by daring to be bold.

Our universities should not be regarded differently. Indeed, they are the lynchpin of our future success, the powerhouses of intellectual thought and innovative research from which our future achievements will be made possible.

We are not alone in recognising the importance of the higher education sector to a nation's development.

I have recently returned from a visit to China, India and the United Kingdom.

In all these countries education is seen as the critical enabler of a nation's prosperity and future success.

The United Kingdom's higher education sector is also undergoing significant reform, drawing heavily on the Australian experience.

In its January 2003 white paper, "*The future of higher education*," Charles Clarke, the United Kingdom Secretary of State for Education and Skills, cogently and compellingly sets out why he believes higher education reform is the foundation for their future national success.

Noting that the world is changing faster than it has ever done before and that the pace of change will continue to accelerate, he says:

"Our national ability to master that process of change and not be ground down by it depends critically upon our universities. Our future success depends upon mobilising even more effectively the imagination, creativity, skills and talents of all our people. And it depends on using that knowledge and understanding to build economic strength and social harmony."

And as for financing British universities, Clarke recognises, as we do, that having a university education brings significant personal benefits. Like us, the British Government believes that while governments will continue to provide much of the funding, it is only reasonable that students contribute their share.

While acknowledging that achieving reform is not easy, the Blair Labor Government said it will: "take the tough decisions on higher education, to deal with student finance for the long term ... and to allow them to compete with the best."

Australia and the United Kingdom are at opposite ends of the earth, yet bound by history and a common cultural heritage.

What we both understand is that universities in the longer term need access to more money. Unlike the period when my peers and predecessors attended university, today the system is characterised by mass enrolments. The student population is approaching one million annually, and therefore capital is a key factor required to sustain universities, and to nurture and support future enrolments.

Secondly, and of no less importance, is that money is only half the problem. Fundamental structural and policy change is equally critical.

The Government announced early last year that there would be an extensive review of Australian universities.

Seven discussion papers were released, 49 focus groups were held to which 800 people attended and over 200 hours of evidence was taken over the length and breadth of Australia.

More than 700 submissions to the review were received.

The Productivity Commission was commissioned to examine the funding, administration and management of universities in North America and Europe and to compare and contrast them with the Australian experience.

Our Universities: Backing Australia's Future is the product of this extensive review process.

At its heart is \$1.5 billion in new money for our universities over the next four years - \$10.6 billion over the next 10 years.

The HECS system remains intact.

It wasn't too long ago that there was outrage in the community and parts of the sector when the Government announced it wanted to introduce a loan scheme through which students could finance their education. Today HECS is recognised internationally as an innovative, equitable scheme to help fund what is now a mass system of higher education.

Described by Ross Gittins, economics editor of the Sydney Morning Herald, "HECS is a pretty good Australian loan system, if you need a loan!"

Universities will have greater autonomy, including increased scope to raise revenue from diverse sources.

The reform consultation process showed this was considered to be a key outcome.

There will be greater diversity and specialisation within the sector.

It is simply no longer possible for any one institution to excel in everything. I would far rather see a university that is world class in some respects than mediocre in most.

There will be increased participation in higher education, particularly of equity groups.

For example, the reforms provide for an increase in the amount of funding through the Indigenous Support Fund of \$10.4 million over three years to enable institutions to provide greater support for Indigenous people in higher education.

The Government will spend \$160 million providing 25,000 new scholarships to help students from disadvantaged groups and rural and regional areas with their study and accommodation costs.

Universities will be better placed to offer quality educational services and respond to the widening demands of a competitive, globalised world.

I have just returned from India, where I signed a joint co-operation education agreement with the Indian Government. The number of Indian students studying in Australia has grown from some 300 in 1995 to over 15,000 last year.

Maintaining quality is a key component to attracting foreign students to our shores, and is fundamental to securing future international education opportunities. And these opportunities are immense. For example, it is estimated that by 2025 the demand for higher education places in India will exceed supply by 15 million places.

Universities will have greater control over the number of undergraduate students they enrol and the fees they pay, being able to take into account demand, course cost, private gain or public good.

The Government will no longer dictate what universities should charge for their courses.

Rather than set standard rates for courses centrally, the Government will give universities the flexibility to determine the value of their courses, with the exception of nursing and teaching where the existing fee will become the maximum fee.

Restrictions on the number of full fee paying students that universities can enrol will be relaxed, giving universities greater flexibility to enrol students, provided all HECS places have been filled.

This will allow institutions to better respond to student demand in particular areas, and to give students more opportunity to study the course of their choice at the institution of their choice and to perhaps offer courses that would otherwise not be available.

Included in this sustainable package are reforms allowing universities to attract, retain and encourage good teachers and researchers, and initiatives that will properly place teaching alongside research as a valued contribution to Australia's knowledge systems.

We will be investing in learning and teaching by creating a Learning and Teaching

Performance Fund and establishing a National Institute for Learning and Teaching in Higher Education.

Regional university campuses will be compensated for their significantly higher costs as a result of their geographical location.

There will be greater incentives for collaboration between universities and other education providers, industry, business, regions and communities.

Australia now has a mass higher education system, and this changes the nature of the demands that are placed on universities. We need universities not only to help students acquire the knowledge and skills required by employers, but to meet society's broader needs.

Together the reforms in the Government's package will provide the much needed structural reform and additional funding that our universities urgently need if they are to avoid slipping further into decline.

As you know, legislation is currently before the Senate.

In the Lower House alone we spent almost 16 hours debating the legislation. In addition, of course, there has been much discussion outside the Parliament, for example in a forum such as this.

I have been discussing with Vice-Chancellors some amendments on some aspects of the legislation relating to the administrative requirements associated with some of the measures as currently drafted. I will do everything I can to ensure that there is not an excessive level of bureaucratic 'red tape' embedded in these reforms.

It is critically important that these reforms pass the Senate this year.

If passage is not secured this year:

- 210 new places for nursing in regional university campuses will not be delivered next year to universities including the University of New England, Deakin University, the University of Ballarat, the University of Tasmania and Flinders University.
- 234 new university places across the country to support medical students will not be provided in 2004, including to the new medical school at the ANU and to the proposed new medical schools at Griffith University and the University of Notre Dame.
- Over 60 regional campuses around Australia will be denied additional funding to support their regional costs.
- 4,000 scholarships for indigenous students, students from rural areas and from low-income families will be stalled next year.
- Additional funding for the practical component of nursing programmes, as identified in the National Review of Nursing Education, will not be provided.
- Funding for the new Indigenous Higher Education Advisory Council will be held up.

In total, universities will miss out on almost \$70 million in additional funding and almost 450 new university places next year alone if the legislation is not passed.

Our universities are vulnerable. If reform is not delivered and delivered quickly, institutions like the National University of Singapore will be delighted, because it will be much easier for it to compete for students when its Australian competitors are mediocre at best. We do not want to be living in a country where our children need to leave Australia in order to get a quality higher education experience.

We are in a situation at the moment where we have the opportunity to deliver some very significant change – change, that may not be popular in all quarters, but that is critically important if our universities are to be able to continue to provide a quality education to

future generations of Australians.

As the English novelist Gilbert Keith Chesterton once observed, education is “the soul of society as it passes from one generation to another.”

In this regard, Australia’s place in the 21st century will depend entirely on the capacity of our universities to facilitate critical thinking and undertake world-class research.

Our universities must be neither tolerant of mediocrity nor indifferent to excellence. The Government’s timely and comprehensive reform package for the higher education sector presents an opportunity to confront the challenges facing Australia in order to remain a modern, innovative and prosperous country into the future.

Thank you.

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Income rise sends Deakin on academic hiring spree

Boosted by income from a steep increase in fee-paying students, Deakin University is going on a hiring spree and plans to increase academic staff by 10 per cent by the end of 2004.

The hiring program is already under way and 63 academic positions will be advertised between now and the end of the year, Deakin University vice-chancellor Sally Walker says.

Most of the new positions are in the business and law faculties which are in high demand by foreign students whose booming numbers are one of the reasons behind the university's expansion.

But Professor Walker says the new jobs are spread across all faculties, including arts, which is advertising 13 academic jobs before the end of the year.

"Our arts faculty is doing very

well . . . [it] is actually growing," she says.

By the end of 2004, the university plans to have filled 120 new positions, the majority of them academic staff.

The boost in jobs at Deakin illustrates the positive impact on academic employment that is likely to occur when universities get the benefit of greater income from student fees and HECS, provided

the Nelson reform package passes the Senate.

Deakin is funding its job expansion mainly from the revenue generated by a steep rise in full-fee paying students in 2003.

Professor Walker says that foreign student numbers (who pay full-fees) have risen by 37.7 per cent in 2003 compared with 2002, and the increase is one-third higher than forecast by the university.

The boost in foreign student

numbers helps lift Deakin nearer the nationwide average. Deakin still has only about 15 per cent foreign students, whereas the average for all universities is about 20 per cent.

A steep rise in Australian full-fee paying students at Deakin – up 96 per cent in 2003 compared with 2002 – is also helping the university fund its expansion, although the number of domestic fee-payers remains small – only 418 in 2003.

But if the Nelson package passes, Australian full-fee paying students will be eligible for a government-backed loan scheme which is likely to boost their numbers generally.

Deakin's success this year in attracting research funds also has helped pay for the new appointments.

Tim Dodd

