

Funding Universities: an investment for the future

Richard Larkins

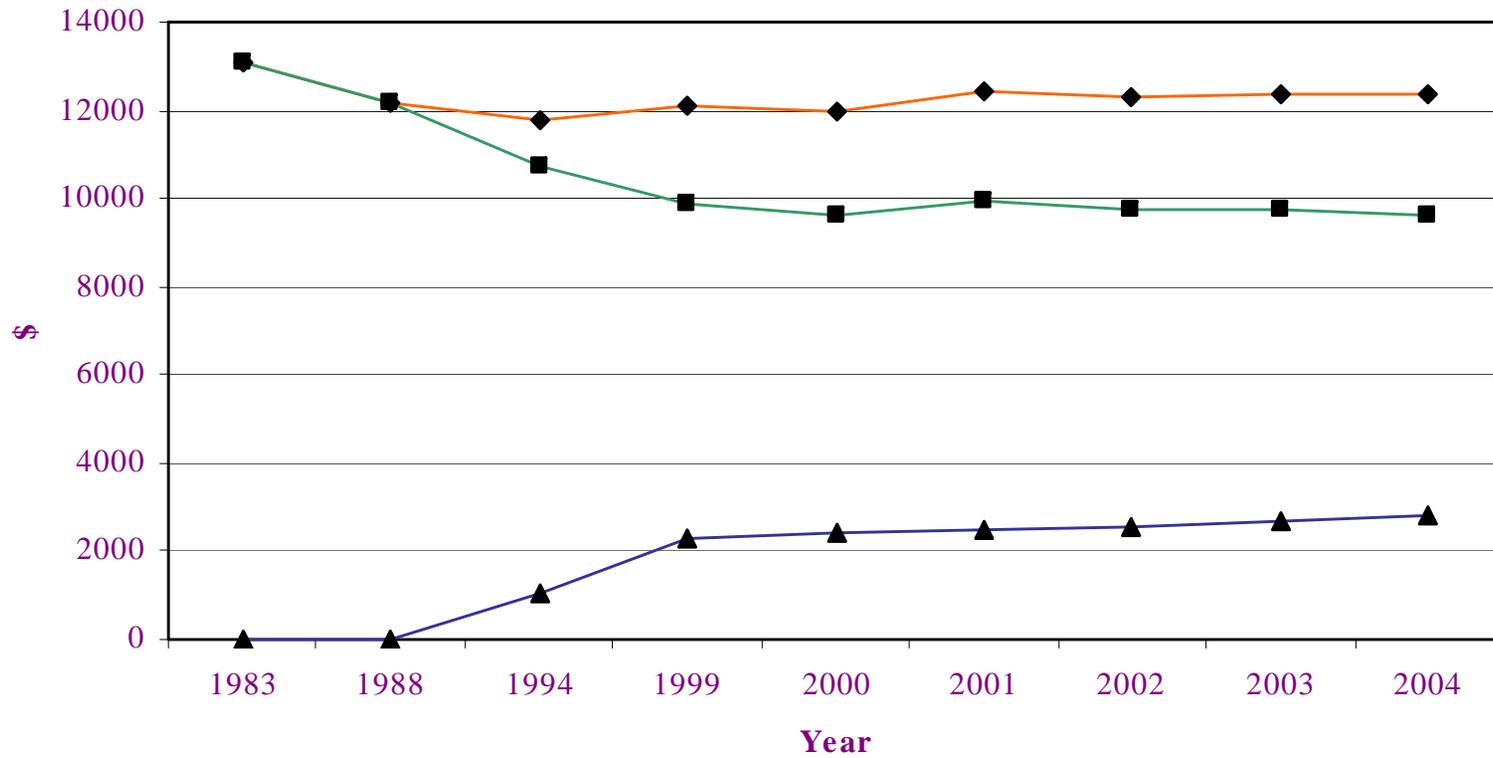
Quotations

- Benjamin Disraeli, 1874 – House of Commons
 - “Upon the education of the people of this country the fate of this country depends”
- H.G.Wells, 1943, Outline of History
 - “Human history becomes more and more a race between education and catastrophe”

The Current Situation

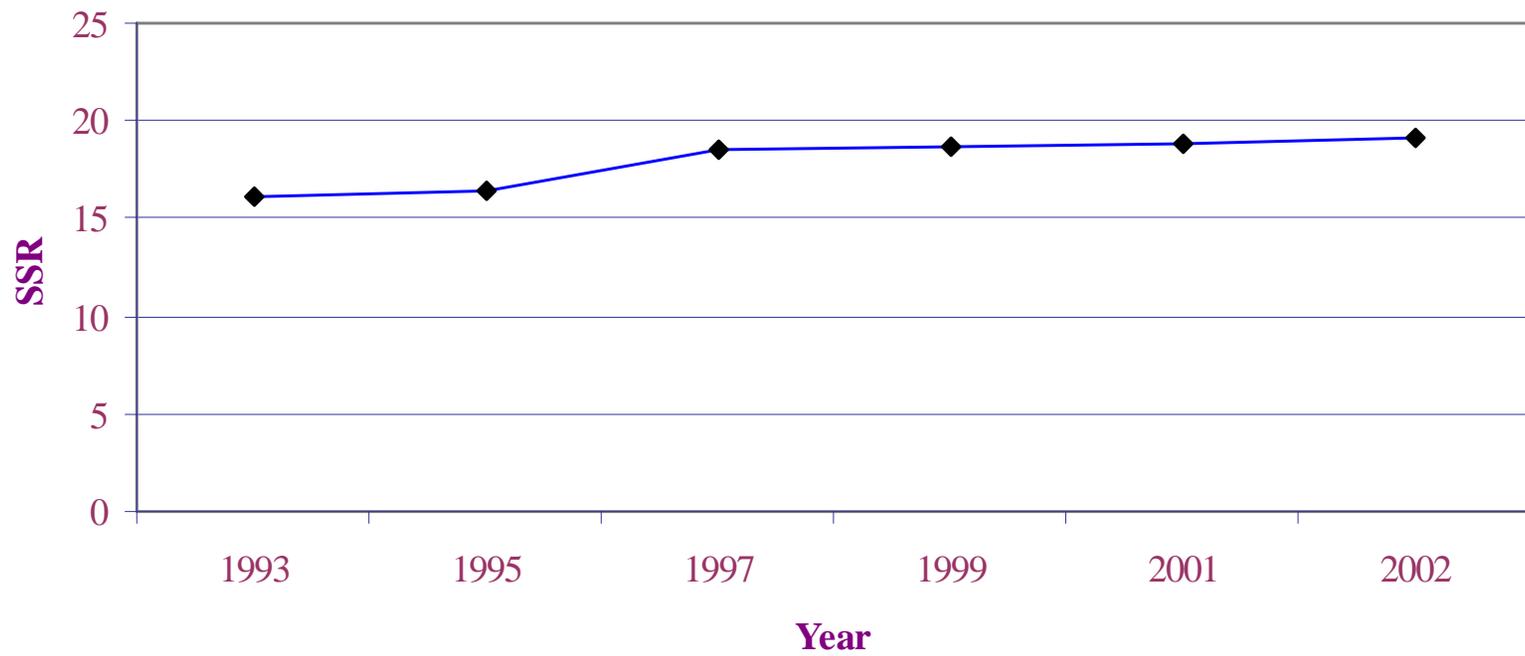
- Real government funding of universities has fallen markedly in the last decade
- Universities have made up revenue shortfalls with increased numbers of fee-paying students (e.g. Monash, int students 1999 → 2003, 6,971 → 12,726, 82%)
- Student-staff ratios have blown out, support services are inadequate, physical space and quality of teaching facilities have been seriously degraded

Base Operating Grant per Planned EFTSU (2002 Price Levels)



◆ BOG per Planned EFTSU ■ (BOG - HECS) per Planned EFTSU ▲ HECS

Monash University: Student Staff Ratio 1993-2002



—◆— Monash University

Research

- Despite recent increases in ARC and NHMRC funding this remains very low on OECD comparisons
- Research infrastructure is very inadequate – unfunded costs of ARC and NHMRC projects range between 29c and 45c for each \$, after allowing for IGS and RIBG
- RTS is seriously dysfunctional – perverse outcomes

Differentiation

- Australia with its population of 20 million cannot support 38 broad-based research intensive universities
- Differentiation of roles appropriate
- All universities should do research but nature and scope should vary – specialisation in small universities
- Multicampus model good for serving outer-urban/regional needs provided responsive to local communities

The Best Solution

- A major infusion of government funding
- This is much more than that contemplated by either major political party
- Countries that have made a major public commitment to higher education have thrived – e.g. Ireland, Singapore, HK, many European and Scandinavian countries
- The hypothesis that tax-payers would not pay higher taxes to properly fund higher education has not been tested

Adverse Effects of More User Pays

- High level of debt at time of graduation leads either to graduates pursuing the most remunerative branch of their profession or leave the country to freeze or avoid repaying debt
- Uncertainty about deterrent effect of increased HECS for economically disadvantaged but no doubt about full-fee places (FEE-HELP unlikely to prevent)

Good Things About the Higher Education Support Bill-2003 (HESB)

- True increase in government funding
- Allows more differentiation
- Elevation of HECS repayment threshold
- Loan scheme for full-fee and overseas students
- Some other equity measures

Bad Things About the HESB

- CGS not adequately indexed
- Link to IR and governance changes meddlesome and unnecessary
- Accountability and power to interfere in internal university affairs excessive
- Interest charges on FEE-HELP (and OS-HELP) excessive
- Inadequate equity provisions
- HECS repayment threshold still too low and not indexed

An Aside

- The decision that the 234 additional medical school places should be bonded for work in underserved areas is counterproductive
- Reducing the number of unencumbered HECS places of medical students in some universities or states and giving them to others including private universities is illogical and discriminatory

Summary - 1

- Australia needs first-rate universities if it is to prosper
- Our universities are currently substantially underfunded
- Differentiation of role and function is sensible and desirable
- The current approach of taking more and more international students without increased government funding is unsustainable

Summary - 2

- Increased degree of user-pays is not ideal and if introduced requires major equity provisions
- Research and research infrastructure funding is inadequate and requires a major infusion
- The HESB as originally proposed has some major flaws that make it unacceptable in that form

Conclusion

- The HESB contains many measures that will benefit the higher education system in this country
- It requires considerable amendment
- The worst outcome is for the Bill to be rejected out of hand or unduly delayed