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**Higher Education and the Outcomes of the Bradley Review: The
Implications of the Government's Budget Response**

Professor Vin Massaro
Managing Director, Massaro Consulting
Professorial Fellow, LH Martin Institute for Higher Education Leadership and
Management, University of Melbourne

Introduction

You've been promised an overview of higher education in 2009 with a particular focus on the ramifications of the Bradley Review, but at a time of continuing uncertainty. Although we've seen Bradley and the government's response, it is still not entirely clear how things stand. Nevertheless I will try to judge how well we've done from the Budget – perhaps not quite as optimistic as the general reactions so far – whether the title of the government's response “Transforming Australia's Higher Education System” lives up to its promise, and what the challenges are likely to be.

We've had a few ATEM conferences on change, from achieving it, to managing it, and now surviving it. In each case we've been faced with dramatic change and have felt uneasy about how we would cope with it. On this occasion we had been promised a revolution because things had become so dire – change we could believe in, to borrow an Obamaism – and it was going to fix some of our worst funding problems.

But the theme of this Conference is apt because it seems we will be witnessing comparatively little funding change, with the result that the challenges ahead are going to require some clever survival strategies.

The economic crisis was not a propitious time for funding increases and many commentators have been thankful that at least we are not facing funding reductions, but as we shall see, there were good economic reasons to promote higher education and research. I believe we've been let down by both Bradley and the government.

I will begin by giving you an overview of the Bradley Report and its recommendations followed by a summary of the government's response. I will then give you my best guess at what the landscape might look like under the new policy framework and the challenges the system will face. We can finish with a mutual counselling session on survival strategies.

The Bradley Report

I found the Bradley Report disappointing and short-sighted. Reading it in the context of the promised education revolution and early suggestions that the review team was proposing to make some bold suggestions, one had to ask whether we were seeing the first Revolution to achieve the *status quo*. This was largely prompted by the comment in the Report that "...the recommendations in this report, if fully implemented, are likely to do no more than maintain the relative international performance and position of the Australian higher education sector".

I was struck by the fact that the Report could on the one hand demonstrate that the system had been falling behind its international peers while on the other consign it to that position indefinitely. The Report seemed to be concentrating on what the government might be able to afford rather than what the system needed to achieve the high status that both the Report and government seemed to want. While it was understandable for the Review to ensure that its demands were not too outlandish, my fear was that not having made a starker case for additional funding might leave the government with the capacity to argue that it had done enough even while providing less than the little that was requested.

The title of the government's response, its tenor and the fact that it has not delivered the funding that had been proposed, suggest that my fears were not ill-founded. A set of stretch goals might have made it harder for the government to argue that it had now done its bit because there would have been a longer-term plan towards which it needed to work. My preference would have been an outcome in which the government would reduce the number of reforms but fund each adequately. Instead the government seems to have adopted the rhetoric but failed to fund it adequately.

The compelling public benefit argument for increased higher education funding, even in these difficult times, was well made in the Cutler and Bradley Reports, in OECD reports that underpinned Labor's policy in Opposition, and in the initial responses by the two Ministers at three separate conferences in March this year. They are even repeated in the Government's formal response, but funding has not followed the rhetoric.

Bradley argued that the system had suffered significant neglect over recent years, with public spending reducing to unacceptable levels. It argued that Australia had now fallen well behind its international competitors in the OECD and that it should be brought back to its rightful place towards the top of the OECD ladder.

The Report confirmed the government's contention that the financial situation faced by universities had been worsening; it also confirmed that Australia was losing its earlier competitive edge - "Australia is losing ground against a number of its competitor countries on a range of indicators... In 2020 Australia will not be where we aspire to be – in the top group of OECD countries in terms of participation and performance – unless we act, and act now."

Government contributions had reduced by 10% between 1996 and 2008 (from \$12,000 to \$10,800 per student), so the Report concluded that higher education

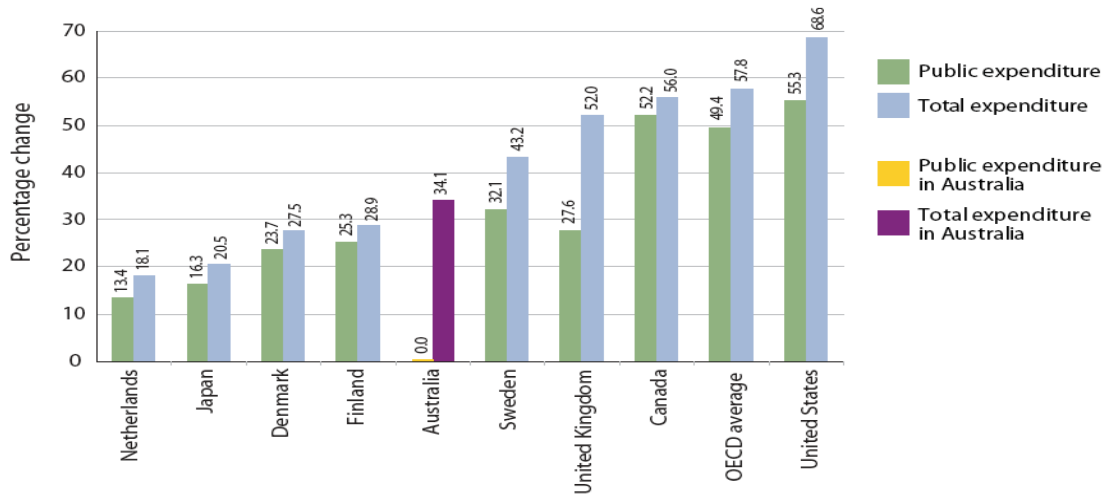
funding should be rebalanced through an immediate increase in public funding (Bradley p.149) and that funding should then be indexed. It proposed an increase of 10% in total government grants relating to teaching and learning, totalling \$1.8 billion over four years, with indexation totalling \$1.14 billion over the same period.

In broad terms, the new policy and funding framework proposed by Bradley would be built on the following principles:

- ❖ A student centred, demand-driven funding system, with no quotas on total or discipline places from 2012 – moving from a mass to a universal higher education system;
- ❖ Concentration of research activity and research teaching in those institutions that can demonstrate capacity;
- ❖ Improved completion rates;
- ❖ Improved performance indicators to justify funding;
- ❖ Higher participation rates to achieve a graduate (bachelor or higher) output of 40% of 25-34 year olds by 2020;
- ❖ Higher participation (20%) and completion rates for disadvantaged students;
- ❖ Year 12 achievement rate of 90% by 2020;
- ❖ Quality assurance that is focused on standards and outcomes through a National Regulatory and Quality Agency for Higher Education;
- ❖ Negotiated compacts between the Commonwealth and institutions to determine mission and funding;
- ❖ Additional base funding amounting to 10% of the teaching and learning component of the budget;
- ❖ Indexation to increase from some 2% to 4%;
- ❖ Increasing the amount to cover the indirect costs of research from 20 cents to 50 cents in the dollar.

To achieve a world-class system, return higher education to the top of the OECD rankings in teaching and research expenditure, and create a system that would support nation building, the government needed to address the neglect described in this Table (Figure 29 from the *Report on Higher Education*). Australia's public contributions to higher education are well below world standards.

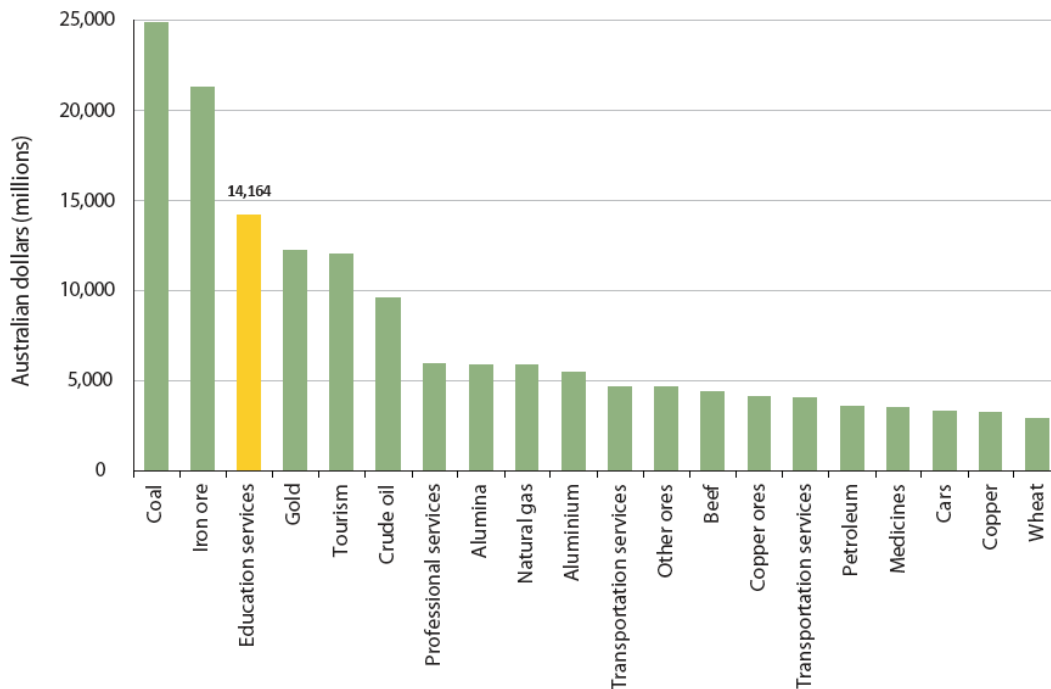
Figure 29: Percentage change in real expenditure on tertiary education institutions, selected OECD countries, 1995 to 2005



Source: Calculated from *Education at a Glance 2008: OECD Indicators*

While these are tough economic times, education, as the country's third largest export earner (Figure 23 from the *Report*) should be protected against the risk of a perception that it is not maintaining its competitive position. This could lead to a reduction in international students and that could cause the financial failure of several universities. Lesser industries have been supported to maintain their competitiveness as part of the stimulus packages, but higher education has not been mentioned in any of them.

Figure 23: Australia's top 20 exports 2007-08 financial year (\$ millions)



Source: DFAT 2008 - ABS trade data on DFAT STATS database and ABS catalogue 5368.0

Staff:Student Ratios

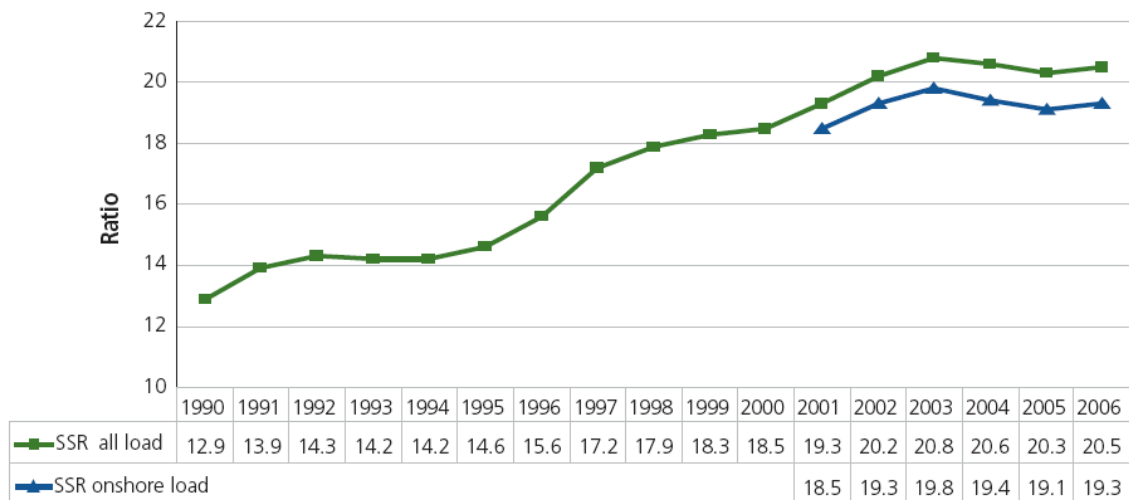
One of the interesting features of both the Bradley Report and the government's response (p. 15) is the argument that worsening staff:student ratios have been the cause of several of the problems identified in the report: student access, student retention, student experience (the Bradley Report indicates that CEQ results are lower in Australia than in the UK - Figure 21), staff workloads and staff attraction and retention at a time of major staff shortfalls. Bradley also suggested that high dropout rates among the low SES group are caused by worsening staff:student ratios.

Yet neither proposed a solution to the problem. Bradley just stated the problem and moved on, while the government response suggests that the enhanced quality assurance and standards arrangements under the new Tertiary Education Quality and Standards Agency will fix the problem.

Staff:student ratios are the most eloquent indicator of the system's health. Figure 19 of the Bradley Report shows that they have worsened constantly from 12.9 in 1990, to 15.6 in 1996 and 20.5 in 2006.

In fact this decline has been evident since the early 1980s, so it is the result of bipartisan neglect. It is a sentinel indicator of the health of the system because it reflects the decline in per capita student funding. The effects of the decline are enormous and affect every aspect of a university's activities.

Figure 19: Universities Australia student-to-teacher ratio, 1990 to 2006



Note: Data is for Universities Australia member universities only.

Source: Universities Australia 2008a, 2006 Student to Teacher Ratio For Academic Staff with Teaching function, October. UA cited sources are DEEWR Higher Education Student and Staff Statistics 1990 to 2000 and DEST Unit Record Files 2001 – 2006; Bond University Management Report August 2007 (data for 2001 to 2006 only).

Fixing this problem remains urgent because it is the surest way of supporting teaching quality and enhancing the student experience. The change from a mass to a universal access system means that there will be an increasing number of students who will

need support and nurturing, and that cannot be achieved without the more individualised teaching that lower ratios would allow. So what is done about staff:student ratios is a good guide to measuring the success of the government's funding announcements. But fixing it is not cheap.

Table 1: Funding SSRs at 1990 and 1996 Levels – Constant 2006 Enrolments = 674,000 EFTSL

	2006 Levels	1996 Levels	1990 Levels
SSR	20.5	15.6	12.9
Staff Required	32,900	43,200	52,250
Additional staff p.a. @ \$75,000		\$772.5 million	\$1.45 billion

The 1996 level has certain attractions because it would take the system back to the situation before the most recent years of neglect and coincidentally to about current UK ratios – we will not mention the better comparator of the US where the ratios are still at levels we have not seen since the late 1970s. Using constant 2006 staff and student figures, the additional annual cost would be some \$772.5 million; to return to 1990 levels would require an additional \$1.45 billion per year.

The Report's proposed increase of \$1.8 billion over the first four years, based on a 10% increase in teaching and learning programs and subsequent indexation would therefore not have been enough. Fixing staff:student ratios should have been given priority over reaching the 40% attainment target, which might instead have been further deferred.

The Response

The early responses from the two responsible Ministers consisted of aspirational statements suggesting they wanted to create a new higher education framework and a coherent policy and funding regime. There was a reassuring continuing emphasis on the centrality of higher education to national development. At the same time, they both acknowledged that reform would come at considerable cost and that it was not the most propitious timing.

The formal response, *Transforming Australia's Higher Education System*, published as part of the Budget last week continued this theme, appearing to accept the Bradley proposals and laying claim to a new era in higher education. When discussing the new quality assurance arrangements, for example, the paper talks about a central feature of the reform agenda being an increased focus on quality to underpin "our vision for Australia to be one of the most highly educated and skilled nations in the world" (p. 31).

The response does provide a new policy and funding architecture for the system, even

if, as we shall see, it does not provide adequate funding for it. In summary:

- ❖ A student centred, demand-driven funding system, with no quotas on total or discipline places from 2012 – moving from a mass to a universal higher education system from which private providers are excluded;
- ❖ Negotiated compacts between the Commonwealth and institutions to determine mission and funding;
- ❖ Performance indicators to justify funding;
- ❖ Higher participation rates to achieve a graduate (bachelor or higher) output of 40% of 25-34 year olds by 2025;
- ❖ Support to achieve a 20% participation of low SES students by 2020 and 18.5% by 2014-15;
- ❖ Complete overhaul of student support arrangements.
- ❖ Quality assurance that is focused on standards and outcomes through a Tertiary Education Quality and Standards Agency that will also accredit and monitor institutional performance;
- ❖ Indexation to increase 1.8% by 2011;
- ❖ Increasing the amount to cover the indirect costs of research.

A closer look at the Budget papers, including the more detailed Budget Paper No. 2, which also contains the savings to offset expenditure, indicates that things are not quite so rosy. Several of the proposals in Bradley and Cutler have been declared to be in need of further analysis and there will be several further reviews and committees established to work through these during the coming year. Many of the infrastructure and recurrent funding allocations will be phased in over some years, although none will reach a level consistent with Bradley or Cutler. And many of the major funding initiatives have been scaled back or not accepted.

Bradley Proposals and Government Funding

	2009-10	2010-11	2011-12	2012-13	Total
10% increase in base	250	500	520	540	1810
	0	0	0	0	0
Demand driven funding	0	70	340	720	1130
	36	74	117	265	491
Indexation	70	200	350	520	1140
	0	58	185	334	578
TEQSA	20	50	60	60	190
	10	13	14	20	57
Research Indirect Costs	300	300	300	300	1200
	31	121	161	201	512

The five major recurrent items in Bradley would have totalled \$5.47 billion in additional funding over the next four years. The Budget has allocated an additional \$4.5 billion but identified savings of \$3.04 billion over this period. So the effective additional funding comes to \$1.46 billion, which is about 27% of the total sought.

Teaching and learning has not fared well in this budget. In particular it is worth noting that the 10% increase in base funding has not been accepted and the indexation

proposed has been both deferred until 2012 and reduced by half. But as indexation is meaningless unless base funding is adequate, it is pleasing that there will be a review of base funding in 2011. The indexation amount comes with the vague caveat that the “new arrangements will still require productivity improvements to contribute to wage increases” (p.22). Perhaps worsening staff:student ratios will be counted as a productivity improvement!

From 2012 universities that meet agreed institution level performance targets will also receive performance funding of about 2.5% of their teaching and learning funding. This will be at risk funding, in that it will only be paid if the institution meets its targets. The amounts allocated for this are \$69 million in 2011-12 and \$138 million in 2012-13.

Some new income will be generated in 2010 from increased HECS rates for new teaching and nursing students. Graduates in these fields will have reductions in repayments if they work as teachers or nurses. While this should make it more attractive for universities to create places in these fields, it should be noted that Nursing, along with other health sciences, has been shown to be unprofitable at current funding rates.

Demand-driven funding, which is a major part of the government’s new funding regime has also been reduced to half the amount proposed in Bradley, while the student numbers have remained the same. Of considerable interest here is that there is no allocation for capital works to house the additional enrolments. The fact that per capita funding will not increase means that the competition for additional students is likely to be among institutions with low cost structures, with little research emphasis.

No additional funding has been provided to the Australian Research Council or the National Health and Medical Research Council.

The full indexation of research to meet indirect costs was never a likely winner, but Bradley had proposed a start by raising the level from 20 cents to 50 cents in the dollar. The government has allocated less than half the amount sought in Bradley, although there is a promise that \$301 million will be provided in 2013 14, and the government suggests that it will approach 50 cents over time (Response p.25).

While it is acknowledged that universities use funds from other sources to meet the full costs of research, the government believes that the precise amount of that cross-subsidisation is not sufficiently clear to enable it to provide the additional resources without further investigation. As a result, “funding will be allocated on the basis of negotiated funding agreements as follows: 20 per cent on the basis of a university's relative success in attracting research income (the current means of determining all of the RIBG funding); and 80 per cent contingent on universities undertaking activity based costing of the indirect costs of research and meeting performance targets which are to be developed and agreed during 2009 10” (Budget Paper 2).

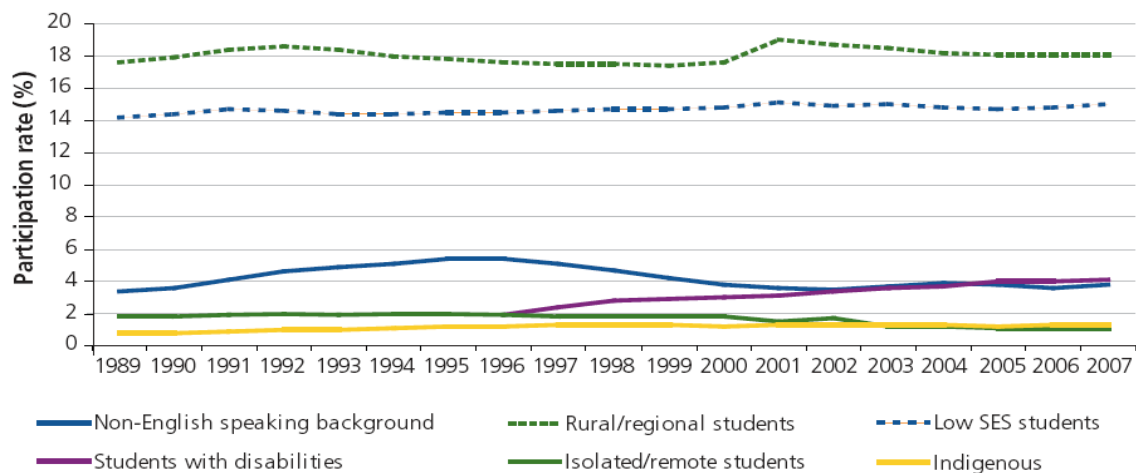
I should remind you that this is in the context of Bradley’s contention that the Report’s recommendations were only sufficient to maintain a steady state. A further reason for concern that this budget might not have delivered enough is that it will be a long time before we can expect further increases – for the government to meet its

surplus target of 2015-16 it needs to contain additional government spending to 2% per annum.

Equity, Access and Student Financial Support

The Bradley Report showed that participation from disadvantaged groups had barely changed over the past 20 years despite concerted efforts to support it (Figure 2 of the Report).

Figure 2: Participation rates by groups, 1989 to 2007



Note: a) Definitions for regional/rural and isolated/remote students were altered in 2001 causing a break in series, b) Post-2001 is based on 2006 Census SES postcode allocations, whereas prior years are based on earlier Census SES postcode allocations

Source: DEEWR (Equity Performance Indicators - national indicators), various years

The problem is further exacerbated when we look at completion rates, which are consistently below the system average.

The Bradley proposals to increase disadvantaged participation to 20% and the proposed changes to financial support were commendable.

Having come from a low SES, non-English speaking and regional background (and a migrant to boot), and having family and friends who have spent their teaching careers in disadvantaged schools, I have retained a personal interest in assisting able children to enter higher education.

On the basis of this small sample, it is clear that adequate financial assistance while at university is a necessary but not a sufficient condition for participation and completion. The problem starts much earlier and involves changing perceptions in parents and teachers to create a culture in which children are inspired to aspire to higher education. Parents need to understand the value of higher education and that their children can aspire to it, despite their presumed inadequate background and despite the fact that for them higher education is an alien place. In several disadvantaged regions, teachers and schools perpetuate victimhood, having given up any belief in the capacity of their students to succeed.

So there was a need to change our approach and reward mechanisms so that teachers and schools are recognised for having supported the higher education aspirations of their students, and higher education institutions are rewarded for having enrolled them. I therefore welcome the government's decision to provide specific funding to support low SES participation (p. 13), including a loading for each student and funds to support partnerships between universities and low SES schools.

Funding Support for Low SES Participation

	2009-10	2010-11	2011-12	2012-13	Total
Partnership Activities	7	21	36	44	108
Enrolment loading	21	64	108	132	325
Total	28	85	144	176	433

It seems that the additional funding will be based on enrolment targets rather than retention. I believe that measures are required that promote success as well as access, so I would suggest that institutions be rewarded for having attracted and retained students past the first year danger zone and then to completion. This is a matter that the government should re-assess as it implements the new measures.

Once in higher education, disadvantaged students must be adequately supported and receive qualifications that meet minimum threshold standards. The new quality assurance arrangements will now ensure that this is the case.

The unresolved issues in this policy change include finding a new definition of low SES students that better reflects reality, and determining how performance against the 20% target will be measured. It seems that all institutions will be required to reach the target, but it is unclear whether the aim is to have 20% of the low SES population in higher education or whether each institution must ensure that 20% of its enrolments are from low SES backgrounds. Are there enough qualified students in this category to fill the available places?

The government has also made significant changes to the structure of student financial support although it is unclear whether there is a significant amount of new money. With the inclusion of the funding support for low SES students, there will have been \$385.5 million added to student support initiatives over the next four years, including a relocation allowance and start-up scholarships, and an increase in the postgraduate research stipend at about 50% of the rate proposed by Bradley. If we assume that many of the 50,000 projected new enrolments will be eligible for income support, the additional amount per student would seem to be on the low side.

Demand-Driven Funding

The government has accepted a new model from 2012 that will fund public universities for the number of students they enrol, with no limits on total or discipline enrolments. While this gives students the choice of where they want to enrol and what they wish to study, there are some significant implementation details to be

worked out, not least whether there are sufficient funds to support the additional places and whether there are enough qualified students to take them up.

The entitlements appear to be unlimited and, it seems, unconditional, with no stated limits on students who drop out of courses for personal reasons or for failure. Such a blank cheque must have struggled to get through the Treasury and the Expenditure Review Committee, so I surmise that the basis of this decision is that the only institutions prepared to take them at the marginal rates suggested by the funding announcements will be those prepared to concentrate on teaching with little or no research – the VET sector has been excluded from the scheme.

It is also acknowledged that governments will continue to play a role in providing for additional numbers in areas of national interest and limiting numbers in courses such as medicine, where there are significant problems in finding clinical placements and which lead ultimately to cost pressures on the medical and pharmaceutical benefits schedules.

A further element in this policy change is the government's acceptance that aiming for 40% attainment for all 25-34 year olds by 2025 is achievable in terms of student demand and funding. The Bradley Report based its estimates of the additional cost of this measure on a staff:student ratio of 1:20 and an expectation that the Education Investment Fund would be adequate to cover the infrastructure costs associated with the additional 355,500 students that would ultimately be enrolled. These additional students will need new facilities even if they are enrolled in many of the existing institutions, but it would seem unlikely that they can all be accommodated without creating some new ones.

Building the additional space in which to teach the new students, much of which will be in new institutions, will cost in the order of \$25 billion over the next fifteen years, requiring an additional \$1.7 billion per year in infrastructure alone. Any improvement on staff:student ratios will increase the costs further. The prospects of attracting the necessary staff (at least 18,000) is another unexplored issue, yet it is likely that doing so will require measures to address the recruitment and retention of staff in a globally competitive market that will also add to costs.

Given that there is a significant backlog of building works across the sector, the calls on the EIF are many and urgent and several projects have been identified in the government's response. However, few if any of these are for teaching space to cater for the additional enrolments.

This change will have far-reaching impacts on the way the system operates because for the first time there will be real competition for places even if price will not be a major factor. Institutions will also be at risk of failure if they cannot attract the students they need to fund their institutions, so the need for real strategic planning and real decisions about playing to strengths will be paramount. The government has allocated structural adjustment funding to support institutions as they readjust their missions and strategies to deal with the new policy environment (a total of \$138 million over the next four years).

Compacts

Compacts are set to form a major part of the new funding and policy environment, as a means of “aligning institutional activity with national priorities” (p.47). Compacts will be negotiated between the government and each institution on an annual basis, although funding will be planned for three year cycles. The compacts will be negotiated separately for teaching and learning and for research, but the two departments will then come together to prepare a single agreement that sets performance targets for quality, attainment and participation of low SES students.

The precise details of the operation of compacts will be determined during 2009, although the new TEQSA will have the task of assessing whether agreed targets have been met and may also have an interventional role in institutions it deems to be at risk.

As performance bonuses will need to be paid in arrears, there will need to be some transitional arrangements to ensure that institutions do not lose 2.5% of their general funding while performance measures are implemented.

Quality Assurance and Accreditation

Bradley argued that the accreditation and quality assurance system should be changed to concentrate on measuring standards and outcomes to assure the public that these are internationally competitive. This is a position I have been pursuing for many years, so I am pleased that the government has decided to establish a new Tertiary Education Quality and Standards Agency (TEQSA) with these objectives.

The role of the Agency is much expanded on that proposed in the Bradley Report. While it will concentrate on higher education in the first instance, it is planned that the Agency will expand to cover all of tertiary education, provided that the States cede their powers over these matters to the central agency. The Agency is to be established under its own legislation and will replace AUQA – AUQA’s funding has been removed from the Budget estimates to contribute to the new Agency.

TEQSA will be a very powerful independent auditor in the true sense of the word. Not only will it determine standards and accredit institutions but it will (p.31):

- ❖ evaluate the performance of institutions and programs and encourage best practice;
- ❖ establish objective and comparative benchmarks of quality and performance;
- ❖ collect richer data and monitor performance in areas such as student selection, retention and exit standards, and graduate employment;
- ❖ identify and take action on institutions at risk;
- ❖ assess whether institutions can demonstrate that their graduates have the capabilities required for successful engagement in a complex world;
- ❖ assess whether institutions can demonstrate students’ academic performance and document what students learn, know and can do;
- ❖ ensure that domestic and international students have better information about how our higher education institutions are performing and taxpayers can see whether value for money is being delivered and the national interest is being well served;

- ❖ simplify current regulatory arrangements and provide greater national consistency;
- ❖ evaluate the performance of universities and other higher education providers every five years, or whenever there is evidence that standards are not being met;
- ❖ determine whether compact performance targets have been achieved;
- ❖ be able to recommend sanctions up to and including withdrawing the right to use the title of ‘University’.

Missing from this considerable list of tasks is the means by which universities will retain their title. Bradley had recommended that universities should only retain their title if they can continue to demonstrate a sufficient level of research activity. The Minister has said that the “right to be designated a university must be earned rather than taken at face value”, but she has not explained how this right would be earned.

We will see what TEQSA makes of this, but I believe that the Bradley proposal, based on the tenuous argument of a tight nexus between research and good teaching, is unsustainable and unenforceable. The evidence for the teaching and research nexus is acknowledged by Bradley to be inconclusive at best. The political implications of removing a university’s title because of insufficient research activity would be too great, while reducing the test to provide for the least research active of the existing universities would negate its credibility and lead to a reduction in research quality.

The better alternative is, neither to prescribe nor proscribe research in any institution. This can now be achieved through the compacts and would support diversity by allowing universities to play to their strengths, while not preventing any from engaging in research that reflects their capacities. TEQSA would concentrate on whether universities are capable of delivering qualifications of an internationally comparable standard, which in itself will reflect whether there is sufficient level of scholarship to support teaching.

Governance and Policy Development

Contrary to the Bradley Report’s proposal that there be a new governance structure to bring VET and higher education under one umbrella (Figure 33 of the *Report*), the government has decided that there would continue to be two sets of governance arrangements, but with a Ministerial Council for tertiary education to ensure consistency and to promote closer relationships between the sectors.

While TEQSA will provide some of the overall reporting on the system, we still lack a solution for long term, sustained planning and coordination. My preference remains the creation of a senior, expert and independent Commission with responsibility for coordinating and advising government on tertiary education.

The Commission would:

- ❖ be a joint body of the Commonwealth and the States, with operational independence from both;
- ❖ have two Councils, for higher education and VET, and TEQSA reporting to it;
- ❖ have an advisory role with funding decisions remaining with the Minister and

- government, advised by the Department;
- ❖ be the main regulatory and quality assurance body and might be assist in negotiating compacts with institutions within a broad policy framework from government and the Department;
- ❖ be responsible for policy advice on tertiary education as a whole, including teaching and research, to provide comprehensive and evidence-based advice;
- ❖ be a free-ranging advisory body that can test new ideas and set new boundaries. There is currently a lack of capacity for the system to respond to truly innovative solutions. The Commission would be able to canvass ideas and options without committing the government while providing options that the government can adopt or reject as it chooses;
- ❖ have significant data collection, analysis and dissemination functions and maintain a watching brief on the health of the system and the actions that should be taken to maintain and improve it so that it continues to meet the government's objectives;
- ❖ use its information and reviews of the system to measure its performance and make recommendations on costs, providing the government and the sector with comprehensive and sophisticated data;
- ❖ have access to strong policy research centres specialising in higher education and VET or have its own policy development staff.

A Commission focused on the long-term health and promotion of an excellent tertiary education system will ensure that it does not inadvertently fall into a further period of neglect.

Conclusion

It is not surprising in light of the current financial crisis that the funding climate should be difficult. However, reading the government's response you would imagine that it had delivered on all the promises. The concern therefore is that the government might have concluded that its job is done.

My over-riding concern is that in the great enthusiasm to make bold changes the government has lost sight of the fact that they must be adequately funded. For example, while there is little argument with the government's idea of a higher participation rate, this can only be achieved if the current system is adequately funded by international standards. Universal access cannot be achieved on the cheap and per capita funding needs to reflect the needs of a more diverse student population.

Reforms should therefore have been staged over a defined period and introduced as funding became available – the nation cannot compete internationally with current resources and should not be expanded on marginal funding.

Another approach would have been to address the elephant in the room by examining options for increasing student contributions either through removing the HECS cap to create a true market or through the reintroduction of full fee places for domestic students. The government has ruled this out for now, but several countries have begun to explore it simply because budgetary pressures will not allow them to continue to fund universities at world competitive levels; we should at least have a proper assessment of the options and consequences. My prediction is that this will be

back on the agenda in the not too-distant future.

The current set of decisions will simply increase staff:student ratios further and condemn research to the second rank. We would have done better to have delayed reforms until funding was available and in the meantime used what few resources are available to begin to fix the per capita funding crisis.

A slightly deferred but excellent system would be better than an immediate but mediocre one.

The sum total of the new arrangements is that the system will need to increase its reliance on international students to make ends meet. Recent falls in investments have removed the slim buffer that some universities had to cover inadequate funding levels, so international income has become the only means of saving some institutions from financial collapse or a major reduction in quality. While the new quality assurance system is fine the assumption is that it will always find that quality has been maintained. If it finds that it has fallen because per capita funding has not kept pace with demands there will be no recourse to a solution because the funding will not be available.

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