

***WHAT IS THE APPROPRIATE LEVEL OF
NATIONAL INVESTMENT IN HIGHER EDUCATION
&
WHO SHOULD PAY?***



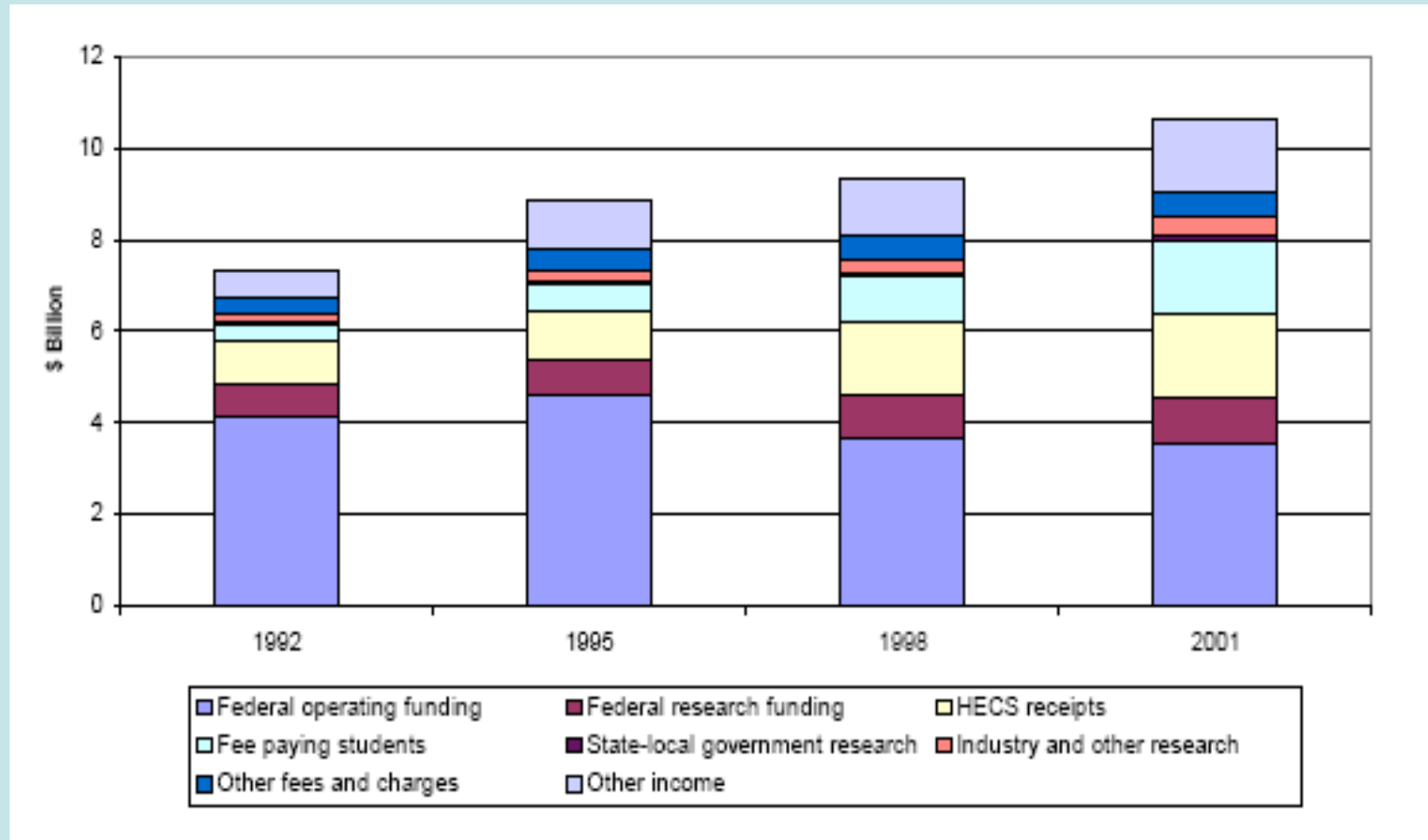
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The University of Melbourne**

**Presentation at BHERT Higher Education Symposium –
25-26 November 2003, Melbourne**

Australian Higher Education Some Financial Facts (2002-2003)

- **Operating Revenue \$10.7 billion.**
- **Commonwealth Operating Grant \$5.69 billion.**
- **Student HECS Receipts \$1.28 billion (22.5% of OG)**
 - **Liabilities much greater.**
- **Funding per student \$12,753 (2002).**
- **Government contribution to operating grant projected to decrease from 94.4% (1992) to 73.1% (2005).**

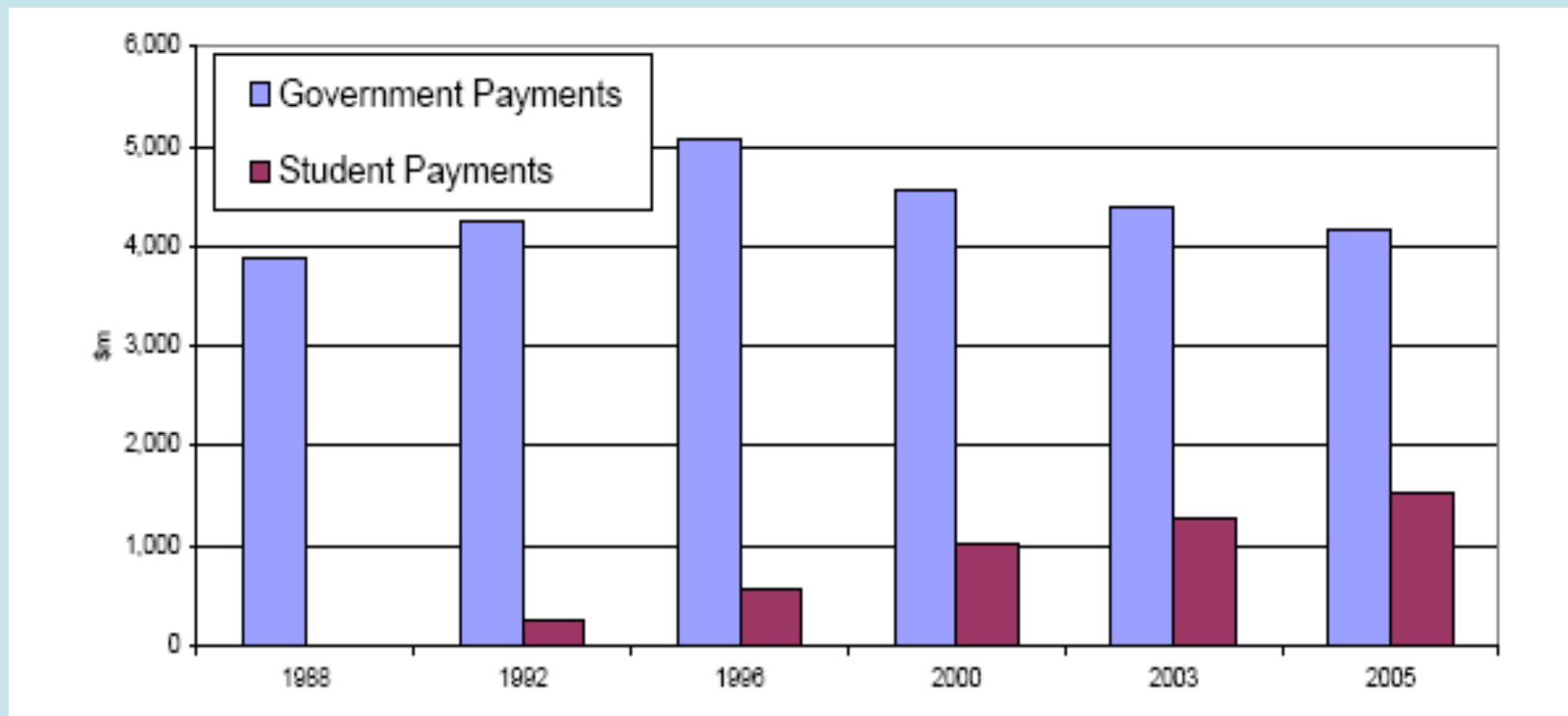
University Income by Source 1992-2001



Source: AVCC Facts, April 2003

Public and Student Contribution to University Operating Grant

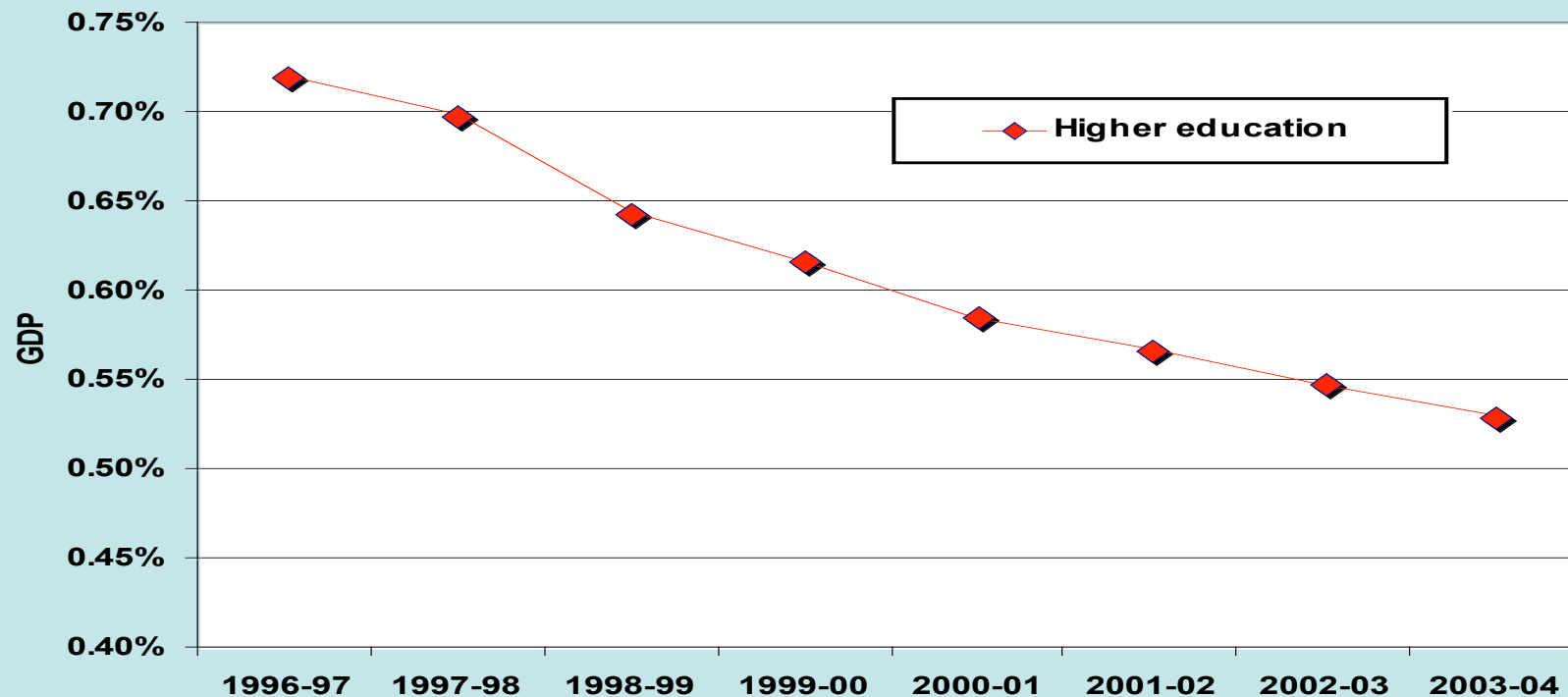
- Student contributions have increased five fold in a decade (1992-2003) and will continue to increase.



Source: AVCC Facts, April 2003

Proportion of GDP Spent on Higher Education by Government

- A decrease of 0.2% of GDP (26%) in 8 years to 0.52% of GDP (2003-2004).
- 0.1% GDP decrease = \$790 million (2003 dollars).



Source: BHERT Paper No. 5

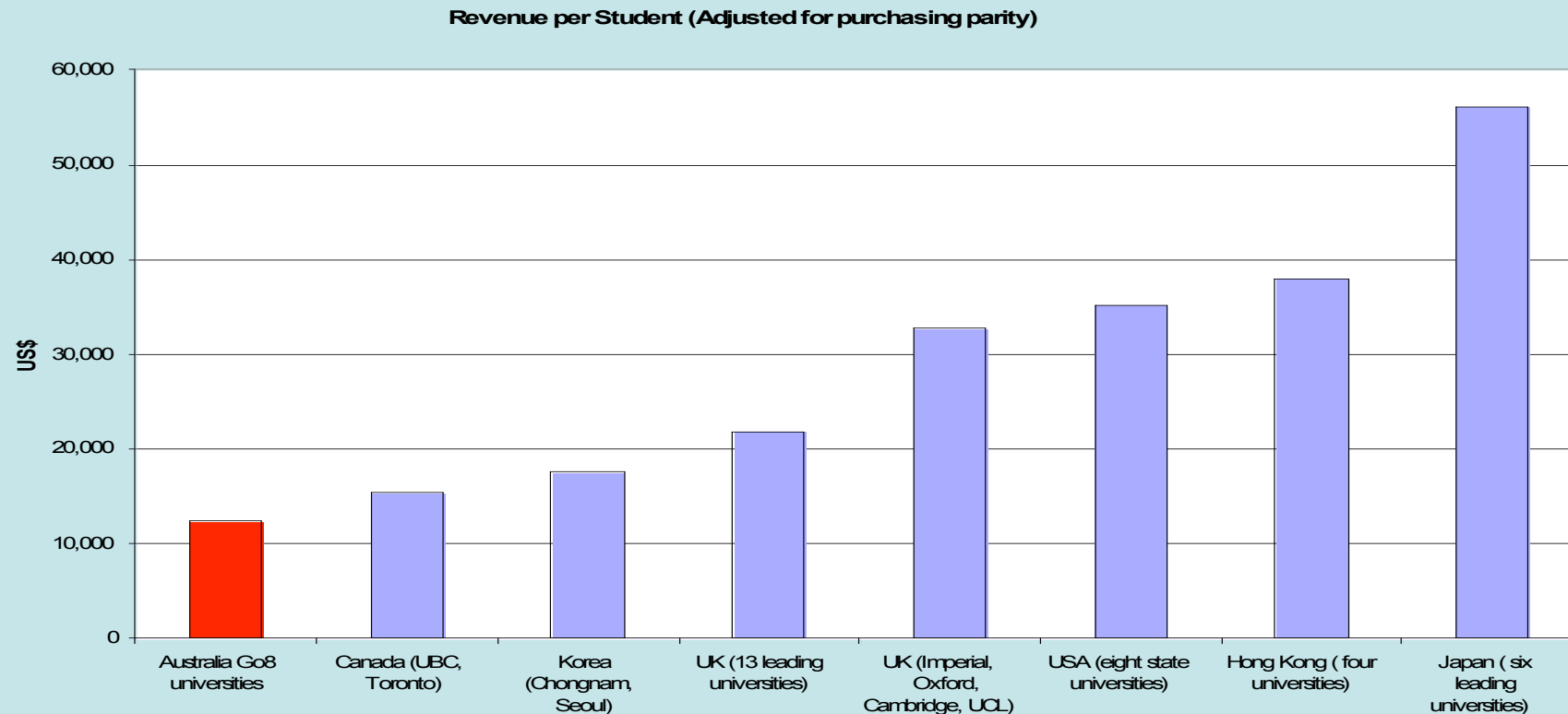
OECD COMPARISONS

- Australia has had the largest percentage decrease in public investment in universities over five years of any OECD country. A **decrease** of 11% compared with the OECD average of a 21% **increase**.
- Australian Universities are the **4th** most heavily dependent on private funding (Korea, USA, Japan).
- Australia, New Zealand and Norway are the only OECD countries with **declining** public investment in universities.

Source: Jenny Macklin Melbourne Institute Conference November 2003

International Higher Education Comparisons

- In funding *per student* of \$12,753, Australia ranks significantly below our major competitors. (M. Barber 2003)



Source: BHERT Paper No. 5

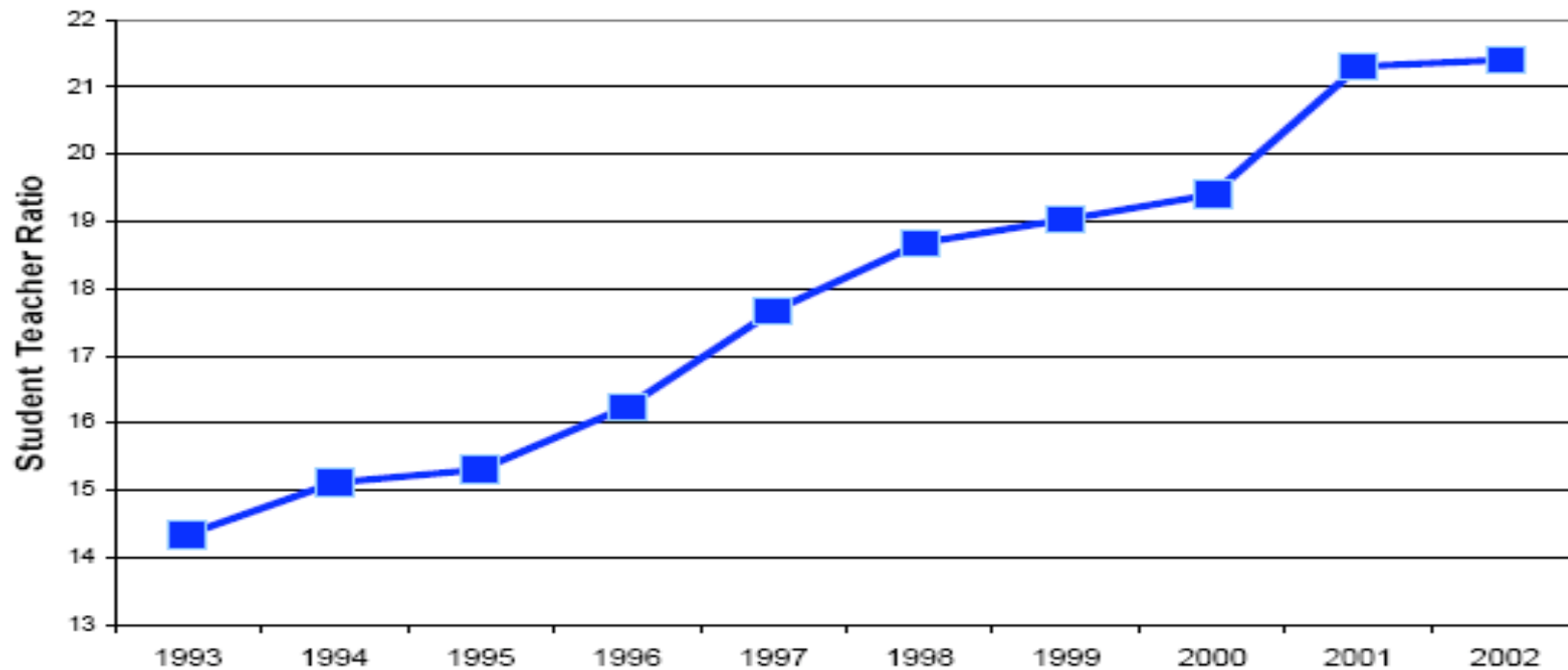
Proposed University Reforms

- **From 2005**, with the current Commonwealth Grants Scheme proposals and assuming a 30% HECS increase, **undergraduate students will pay on average around 47% of the costs of their education.**

Law students	85%
Commerce/Business students	74%
Arts students	55%
Science/Engineering students	37%
Medical/Education students	35%
Agriculture students	30%
Nursing students	28%

University Student:Staff Ratios

- An increase of 40% since 1995. **Impact on quality?**



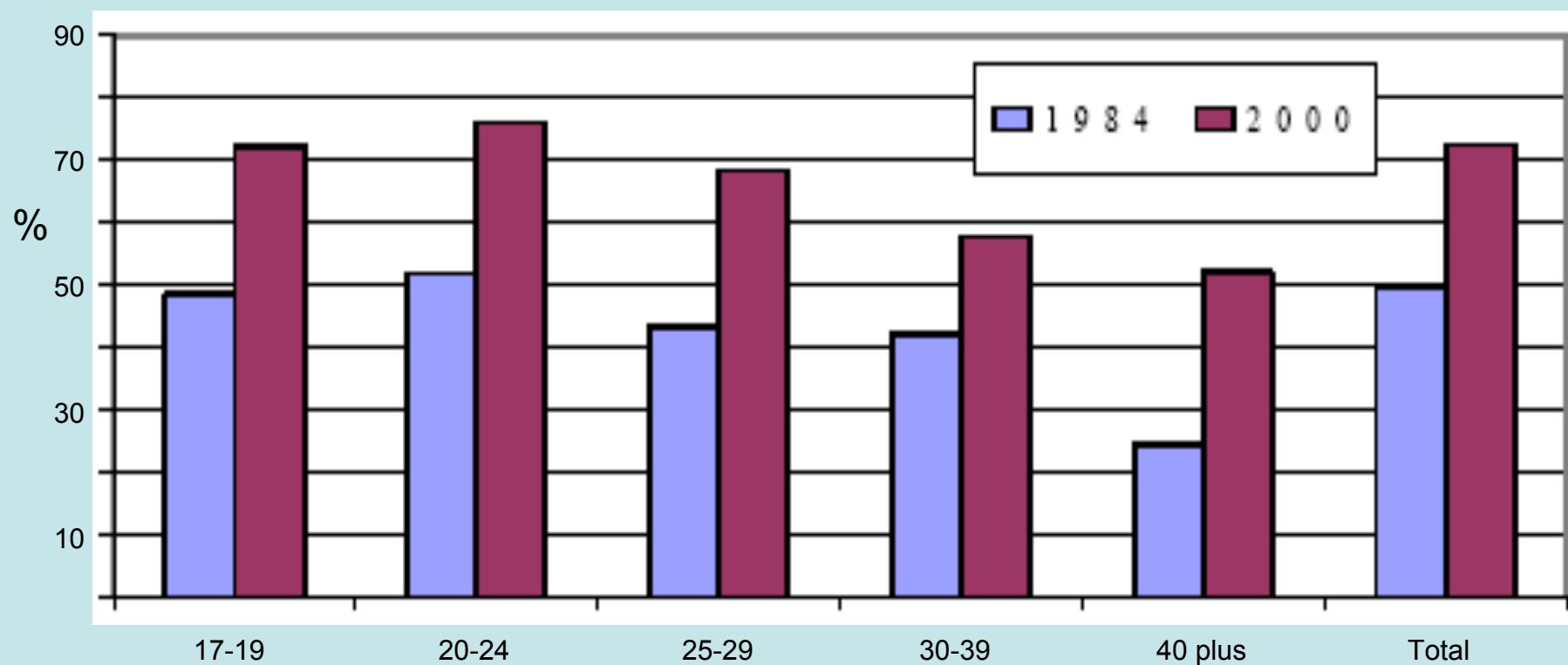
Source: AVCC Facts, April 2003

Consequences of Student HECS Debt

- Accumulated HECS Debt **\$9.8 billion** (2003) by 1.2 million Australians (Doubtful debts 20% **source ATO**).
- Students deferring other investment decisions because of HECS debt.
 - **Business investments**
 - **House purchasing**
 - **Family commitments.**
- Increased paid outside work during semester.
- **But, HECS not a significant deterrent to HE participation (Chapman & Ryan 2003).**

Proportion of Full Time Students Working During Semester 1984-2000

- In 1984, 5 in 10 fulltime students worked an average of 5 hrs per week.
- In 2000, 7 in 10 fulltime students worked an average of 14.4 hrs per week.



Source: AVCC Facts, April 2003

Australian Higher Education Institutions

Core Business Outcomes

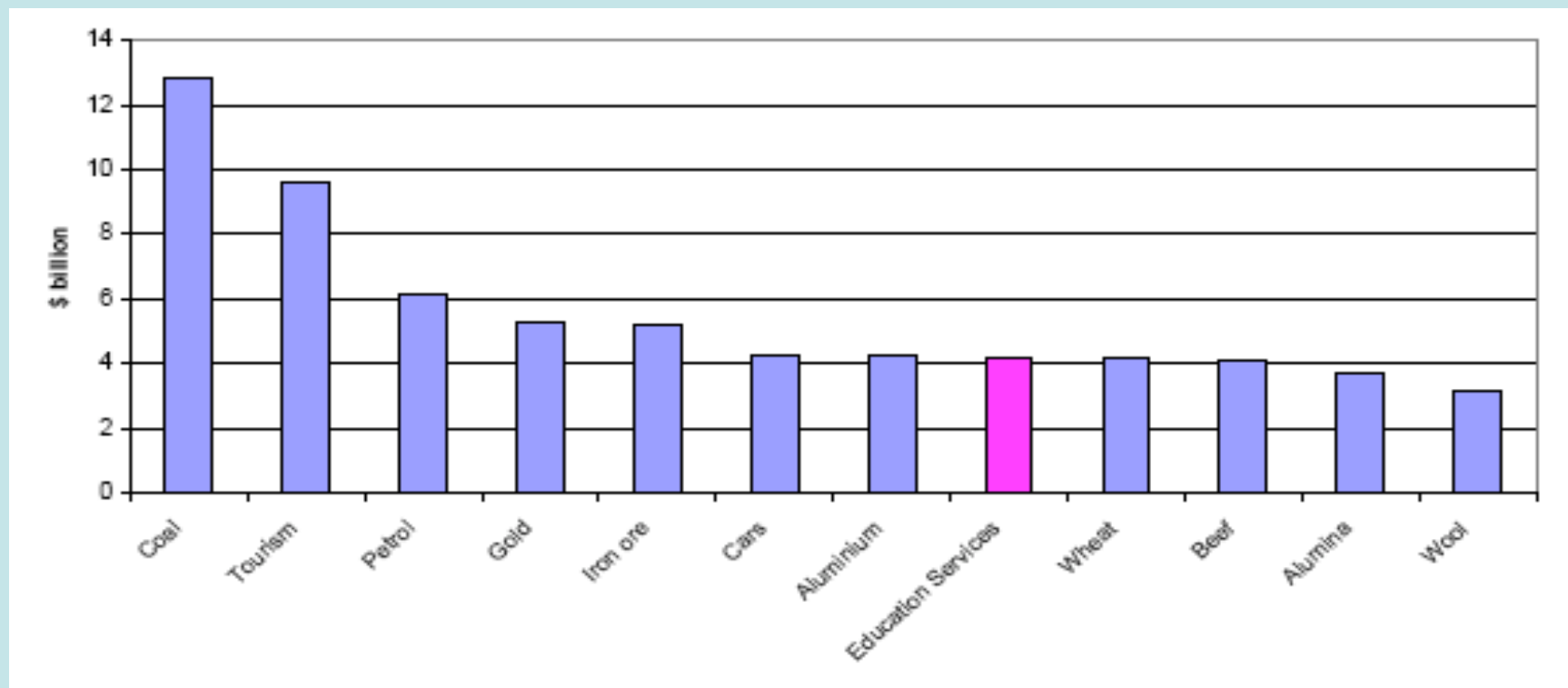
- **Graduates to strengthen the national skills base and to increase the store of intellectual capital available to society**
 - ✓ **> 740,000 Students Enrolled**
 - ✓ **> 180,000 Graduates Annually.**
- **New knowledge that is disseminated in various forms for public good and for private gain.**

Economic Benefits to Society from HEIs Contribution to the National Innovation Agenda

- **Very favourable internal rates of return for society from the investment made in the education of graduates (10-20% per annum).**
- **Internal rates of return for individuals are around 10% pa and decreasing as HECS and full fee places increase**
- **One-third to one-half of all GDP growth is due to R&D activities**
 - **HEIs undertake 25% of all R&D activities. Hence, the annual contribution to wealth generation is near \$3 billion per annum.**

Education is a Major Export Earner

- Educational services exports were worth more than \$4.0 billion in 2002. Australia's 8th largest export.



Source: AVCC Facts, April 2003

Higher Education Research Funding 2001/2002

- Total Funding \$3,118 million (0.44% GDP)
 - Competitive Direct \$1,543 million
 - Indirect Performance-based \$1,575 million.
- 25% of national research effort.
- 87% of funds from governments.

HE Direct Research Funding (2001/2002)

- **Commonwealth Competitive \$1,020m (66%)**
- **Other Public Sector \$106m (7%)**
- **Industry, International, Other \$417m (27%)**

Total \$1,543m (100%)

HE Indirect Research Funding (2001/2002) from the Federal Government

• Commonwealth Operating Grant	\$570m
• Research Training Scheme	\$516m
• Research Infrastructure Block Grant	\$114m
• Institutional Grants Scheme	\$271m
• Regional Protection Fund	\$2m
• Scholarships (Domestic/International)	\$102m
Total	\$1,575m

Australian HE Research Performance Significant National Returns

- **44,000 Research Higher Degree Students (2002).**
- **5,400 Research Student Graduates (2001).**
- **26,000 Refereed Research Publications (2001).**
- **508 Patent Applications (2000).**
- **82 Start-Up Companies Operational (2000).**
- **234 IP Licences Executed (2000).**
- **Driver of GDP Growth.**

Future Research Funding

- Increased investment in major national research enabling infrastructure required e.g. synchrotron.
- Performance-based infrastructure (IGS and RIBG) schemes are inadequately funded.
- National competitive research grants schemes require more funding for discovery programs and for indirect costs contributions.
- Research Training Scheme requires a major overhaul – outcomes are perverse.

Concluding Remarks

- Government funding for teaching and research must be increased to preserve a quality internationally competitive higher education system.
 - Av \$/EFTSU \$16,000 (2003); Gov : Student 70:30
 - H.E. Research funding; At least 0.5% GDP
- Increased differentiation of funding incentives between universities required to foster diversity
 - Regional, Research-intensive, Vocationally oriented.
- Excessive user-pays policies are not in the national interest
 - Equity and access principles may be seriously compromised.
- Higher education as an investment in Australia's future must be more fully accepted by policy makers.

‘We must develop the potential of every citizen to the full. We cannot afford to waste a single human being. The process starts with education.’

‘This country will not prosper if we fail to provide adequate support for public education at all levels.’

Peter Doherty: The Age, 13th November 2003

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