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Introduction

Professor Goldsworthy, Ladies and Gentlemen

I am very pleased to be here today and have the opportunity to participate in your conference and to discuss the benefits accruing from higher education reform and the critical role the Australian Government's proposed reforms will play in contributing to our nation's future.

The need for reform is clear. In recent years there has been widespread agreement from both sides of politics, the higher education sector, from employer and industry groups – that reform of the Australian higher education system is crucial.

There is agreement, too, that Australia now has a once in a lifetime opportunity to create a radically better higher education system. A confident, strong, quality higher education sector is vital to Australia's economic, cultural and social development.

As you are all well aware, the higher education sector has grown dramatically. Allow me to briefly outline this growth and the role governments have played in facilitating it. Student numbers in universities grew from 100,000 in 1968 to 160,000 in 1978. By 1990, one year after

HECS was introduced, total student numbers at Australian universities stood at almost half a million.

There are now over 700,000 domestic students studying within Australia's publicly funded universities and two private universities. If you count domestic students alone, the size of the sector has more than tripled in the last 25 years.

If you add overseas and fee paying students, the total number of students undertaking higher education in Australian universities is nearing 900,000.

Need for Higher Education Reform

Shortly after Dr Brendan Nelson became Minister for Education, Science & Training in November 2001, he commenced a review the Government's higher education policy, with a view to ensuring that the sector was positioned to meet the current and future needs of all Australians and of Australia's economy.

The Government, commentators within the sector and other analysts were in broad agreement that a number of big issues needed to be addressed in the higher education sector. These issues include:

- the need for universities to have greater flexibility, including greater scope to raise revenue from diverse sources.
- the desirability of greater diversity and specialisation within the sector.
- the need to enable greater participation in higher education, particularly of equity groups.
- the need to maintain and enhance the capacity of Australian universities to offer quality educational services and respond to the widening demands of a competitive, globalised world.
- the need to encourage greater numbers of students to study as nurses and teachers.

Factors of concern to the Government

The Government was concerned that

- institutions had little control over the number of undergraduate students they enrolled and the fees they paid, irrespective of demand, course cost, private gain or public good
- current arrangements overly restricted the number of Australian full fee paying students that universities could enrol
- regional universities and campuses faced significantly higher costs as a result of their geographical location
- there were few incentives for universities to collaborate with other universities, education providers and business and community groups.

The Government recognised that Australia's ability to maintain its competitiveness as a nation will increasingly depend on the knowledge, the problem-solving skills and the innovativeness of the Australian workforce. And that, in turn, is largely dependent on the quality and effectiveness of our education, training and research systems.

The Reform process

The reform process began early last year when the government announced that there would be an extensive review of Australian universities.

- A reference group was established to provide advice to the Minister through the course of the review.
- Seven discussion papers were released, 49 focus groups were held to which 800 people were invited and over 200 hours of discussions occurred 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.
- The review process was also informed by a final two-day session in Canberra comprising a variety of individuals and organisations including business people, unions, academics, schoolteachers and everyday Australians, chaired by the Minister.

That process saw two clear issues emerge:-

First, Australia's 38 publicly funded universities are on a collision course with mediocrity.

- Universities in the longer term need access to more money.
- Unlike previous eras, today the system is characterized by mass enrolments. The student population is approaching one million annually, and therefore growing resources is a key factor to sustain universities, and to nurture and support future enrolments.

Second, it was clear that money is only half the problem. Increased funding without changes to administration, regulation and perverse incentives for institutional and individual behaviour will only compound the significant challenges facing the sector. Equally, the Government recognised that a substantial increased public investment is required to secure the future.

Backing Australia's Future

Backing Australia's Future is a reform agenda which delivers on both.

Four key principles underpin the package of reforms for funding and sustaining Australia's higher education sector:

- access to higher education.
- long-term sustainability and viability
- improving quality

- greater diversity and specialisation. The reforms were designed to establish a partially deregulated system, allowing individual universities to capitalise on their strengths.

There will be a renewed emphasis on other areas, including;

- Teaching and learning outcomes
- Greater recognition of the role of regional campuses and institutions
- A higher proportion of competitive or performance-based Commonwealth funding
- New arrangements for student financing to encourage lifelong learning and ensure equity of access.

At its heart is around \$1.5 billion in new money for our universities over the next four years, rising to \$10.6 billion over the next 10 years. (This amount is made up of an estimated \$6.9 billion in additional funding to the sector and approximately \$3.7 billion to support new student loans.)

Key elements of interest to B-HERT – strengthening research capability and collaborative measures

Backing Australia's Future establishes a policy framework that will allow the higher education sector to more easily respond to the identified needs of its stakeholders. In recent years there has been a strong move to better satisfy the educational, economic and social needs of regions through partnerships between the community, education institutions, business and government at all levels.

Higher education institutions are well-placed to function as the strategic hub of collaboration at a regional level. The reforms recognise the importance of the partnership between universities and business and include initiatives designed to assist universities in strengthening that collaboration.

Two elements of the reform package aimed at increasing that partnership are:

- Strengthening our research capability; and
- Collaboration measures.

Strengthening Research Capability

Research and innovation play a vital role in building Australia's competitive strength in a global knowledge-based economy. Universities clearly have a central role to play as major producers of basic and applied research.

Our need to focus our efforts to achieve maximum efficiency and effectiveness lay behind the Government's decision to develop Australia's first set of national research priorities announced by the Prime Minister late last year.

These research priorities are:

- An environmentally sustainable Australia.
- Promoting and maintaining good health.
- Frontier technologies for building and transforming Australian industries.
- Safeguarding Australia.

These areas provide a vision for research by focusing our national research effort on key challenges for Australia today and into the future.

As part of the *Backing Australia's Future* initiative a number of reviews into the research sector are being undertaken to assess and improve their effectiveness.

- The Research Collaboration Review, launched by Dr Nelson in July this year is reviewing collaboration between universities and major publicly funded research agencies. It encompasses all Australian public universities and four publicly funded research agencies – the CSIRO, the Australian Nuclear Science and Technology Organisation, the Defence Science and Technology Organisation and the Australian Institute of Marine Science. Due to present its final report at the end of the month,

the Review is examining the extent to which collaboration can enhance the critical mass of research effort, improve research outcomes, achieve more effective use of resources, and strengthen institutional performance. It is also investigating alternative funding models to develop excellence across the national research effort.

- A Taskforce on Research Infrastructure was commissioned by the Minister to examine infrastructure funding for higher education institutions and publicly funded research agencies. The Taskforce received 117 submissions, some I am sure, from representatives here today; conducted two rounds of consultations; and presented its final report to the Minister on 31 October 2003. A copy can be accessed online through the Department's website. (www.dest.gov.au/highered/ri_taskforce)
- An Evaluation of the 1999 Knowledge and Innovation reforms was also undertaken focussing on the operation of the competitive block funding schemes. An External Reference Group, chaired by Chris Fell, President of the Federation of Australian Scientific and Technological Societies, working with an internal departmental policy group, prepared an Issues paper and invited submissions to Government by 31 October 2003.

Australia is a world leader in the production of high quality research and these reviews will help to ensure that the sector continues to produce outstanding achievements that represent excellent value for the Australian taxpayer dollar.

Collaboration and the Reform Package

A collaborative model of research organisation has emerged in recent years, based on the Australian Research council's "centre of excellence" and through vehicles such as Co-operative Research Centres (CRCs). Centres of excellence and CRCs typically bring together a number of players – from universities, from industry and from government – to concentrate effort, expertise and resources to create a critical mass that the individual players could never achieve alone.

Many universities are already active in engaging industry in collaboration and partnerships. The income to universities from this source has grown from \$109 million in 1992 to \$330 million in 2000 and continues to grow.

The Government believes that we now need to recognise that collaboration can and should extend beyond research. It should extend into course design and provision and into contributing to meeting wider community needs.

The Business/Industry/Higher Education Collaboration Council, to be established, will foster communication between business/industry and the higher education sector. The Council will draw on high-level representation from business, industry and employer groups and universities.

Initial priorities for the Council will include:

- Participation in the selection of business/industry/university projects for funding;
- Development of strategies to encourage business/industry to invest more in the higher education sector;
- Facilitation or involvement of small and medium enterprises in collaborative arrangements with universities;
- Establishment of Awards for Business/University collaborations;
- Promoting the Graduate Skills Assessment (GSA) to a broad range of employers (supported by funding for the GSA from the Quality Fund);
- Providing advice to Government on initiatives to further facilitate the commercialisation of intellectual property.

More Commonwealth Supported Places

Backing Australia's Future addresses the need for additional student places in universities. It will provide more than 31,600 new Commonwealth supported places. This is provided for by replacing current marginally funded places from 2005, providing 4,250 new Commonwealth supported places by 2008 to meet anticipated population growth; and creating 574 new nursing places, 1,170 new medical places and 745 new National Priority places.

HECS-HELP

- The HECS system remains intact.
- HECS minimum threshold levels increased.
- Partial fee deregulation will be permitted:
 - From 2003, universities will be able to set student fees within a range from \$0 to a maximum set by the Commonwealth that is 30 per cent above the current levels, with the exception of nursing and teaching where the existing fee will become the maximum fee.
- Included in this sustainable package are reforms allowing universities to attract, retain and encourage good teachers and researchers.

The provision of deferred-payment, income-contingent loans to students will be expanded under the Government's reform package.

Both Commonwealth-supported, and from 2005 fee paying students, will be able to defer the payment of their contribution through the Higher Education Loan Programme (HELP). As under the current HECS system, they will only be required to repay when their personal income in a financial year exceeds a minimum threshold.

The Government will increase the repayment threshold to \$30,000 in 2005-06 which will significantly improve the financial position of many graduates with lower incomes. When graduates are earning above this threshold, the level of payment required will continue to depend on their income.

This system ensures that people make their contributions strictly according to their ability to pay.

HECS, to be renamed as "HECS-HELP", will continue to be indexed by CPI movements but will otherwise remain interest-free.

Moreover, the Government will increase its contribution per Commonwealth-supported student place by 2.5 per cent from 2005 (building to a 7.5 per cent increase by 2007, linked to university reform in governance and workplace relations).

Support for regional campuses

The Government also recognises that regional campuses of universities face higher costs as a result of their location, size and history. Regional campuses generally have less potential to diversify revenue sources, a smaller capacity to compete for fee paying students and a narrower industrial base providing fewer opportunities for commercial partnerships.

To further enhance the valuable role which universities play in the regions, the Government has decided to incorporate a regional loading into the new Commonwealth Grants Scheme for students enrolled at non-metropolitan regional campuses. This will cost \$122.6 million over four years. Many of you here will recognise that regional universities often have less potential to diversify revenue sources, a smaller capacity to compete for fee-paying students and a narrower industrial base in rural areas, which provides fewer opportunities for commercial partnerships compared to metropolitan areas.

Quality

To ensure that students develop knowledge and skills that are not only relevant to their own needs but also to those of employers, professional associations, labour markets and society, the Government is introducing measures which give a renewed emphasis to teaching and learning outcomes.

The Government will invest in learning and teaching by creating a Learning and Teaching Performance Fund and establishing a National Institute for Learning and Teaching in Higher Education.

The Learning and Teaching Performance Fund will promote excellence in learning and teaching in higher education institutions alongside the delivery of research excellence.

The National Institute for Learning and Teaching in Higher Education will focus on meeting the needs of the sector, supporting universities in their promotion of learning and teaching and practically engaging with academics within their disciplines.

As we develop the new Institute, we will consult broadly with the sector and other interested groups. We recently released a discussion paper, which can be found on the DEST Higher Education Learning and Teaching Webpage (www.dest.gov.au/highered/learning_teaching). I encourage you to respond to this paper so that the views of participants at this Forum are well represented.

Equity

One of the four key principles underlying the reform package is equity. The Government is absolutely committed to ensuring that more Australian students have opportunities to access higher education to fulfil their potential, regardless of their personal circumstances and backgrounds. Targeted intervention measures and new approaches to student financing seek to encourage participation and retention of under-represented groups.

Measures to be adopted include:

- Providing almost 32,000 new Commonwealth supported student places between 2004 and 2008.
- Increasing Equity funding – the Higher Education Funding Programme (HEEP) will be increased by \$2.3 million per year from 2005.
- The Indigenous Support Fund will be increased to a total of \$10.4 million over three years to 2007 to enable institutions to provide greater support for Indigenous people in higher education.
- The establishment of a scholarship programme for Indigenous staff in higher education institutions to complete their academic courses.

Conclusion

The Australian Government's timely and comprehensive reform package for the higher education sector presents an opportunity to confront the challenges facing Australia and to remain a modern, innovative and prosperous country in the future.

Collaboration between higher education institutions, governments, business, industry and communities is vital for identification and articulation of the needs that the sector is expected to meet, as well as achieving the best outcomes. The Government is heavily committed to dialogue with all stakeholders on the details of the new reforms. As many here will know as a result of consultation with the Australian Vice Chancellors' Committee (AVCC) on 18 November, the government announced a range of changes to the package which will streamline the amount of bureaucratic red tape that would otherwise apply to universities and simplify the administration of the new reforms. The 23 changes to the legislative package have all been agreed by the Vice Chancellors themselves and will be resubmitted to Parliament for consideration this year.

The reform package announced in the Budget is our opportunity to deliver the solutions the higher education sector urgently desires. I hope and trust that both business and universities will give the same level of commitment to its implementation as they gave to the policy development process up to now.

Thank you.

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