

**UNIVERSITY RESEARCH AND THE
NELSON HIGHER EDUCATION REFORM PACKAGE**

**(Labor's vision for research and innovation:
lessons from the current higher education debate)**

Research and Development: Australia's performance

The Federal Labor Party regards it as axiomatic that Australia has to turn serious attention to our country's collective performance in Research, Development and Innovation. Why is it so self-evident? There are a couple of reasons:

First, as everyone knows, the globalised economy is very much a knowledge-based economy where our ability to compete will depend ever increasingly on being able to add value to products and services.

We can no longer be the world's quarry and the world's farm. We can't rely on our natural resources alone if we want to keep our place in the international economic community.

But secondly, Australia has many existing and looming challenges that we collectively have to meet: these include solving the problems of salinity and of scarce water resources; finding sustainable sources of energy; identifying ways for everyone in the global community to live in peace and harmony; and, at home, finding ways to enable Australia's Indigenous peoples to realise their potential, and to participate side by side with the rest of society.

These are challenges in science, in economics, in education and cultural studies. Labor has been working on R&D policy over the last couple of years and put out a policy discussion paper – *Research: engine room of the nation* – in 2002. A definitive policy will be taken to the Party's National Conference in January 2004.

Universities and R&D

A forward-looking, sound national strategy for research and innovation rests in large part on the structure provided by Australia's universities.

Universities are responsible for 27 percent of total national expenditure on Research and Development, and almost 80 percent of that on basic research.

Basic or fundamental research is where it all starts – where ideas are generated and theories developed. Of course, basic research interacts with the processes of strategic and applied research and with innovation. But, unless we get it right at the level of basic research, we can't leave the starter's blocks.

So Australia's achievements in R&D – present and future – depend on the continuing existence of a vigorous, vital university system. In fact, since it is crucial that we lift our national R&D performance, we also have to lift our higher education institutions.

The Nelson package and university research

If the Opposition has its way, this so-called reform package will not pass the Senate. While we agree that our higher education system needs urgent policy attention and some policy reform, we reject the Government's legislative package as contained in the *Higher Education Support Bill 2003*.

We are determined that, when genuinely constructive reform can take place – something that we as a Party are committed to in government – it will bring the university sector what it needs.

But one of the fundamental problems with the package of legislation that is before the Parliament is just that it actually fails to deal directly with the research function of universities at all. It is silent on university research. Thus, as far as we are concerned, it leaves out half the equation.

This doesn't mean that the bill doesn't have major implications for research in universities – it does. And, when we finally see the shape of the plan the Government actually has for university research – promised for next year – we will no doubt see radical transformation on the cards. Next year's research plan will take forward the vision of the higher education system that is embodied in the current reform package.

What this current package does for university research capacity

This set of bills tries to construct a two-tier university system (if not a multi-tiered one). The window dressing on the front of the bill says that the new system will value university teaching, and fund it in part competitively, just as the current competitive funding model rewards those universities that are good at research.

But here is the cash value of this promise: for good teaching, additional funds of around \$300 million will be available to universities over the next three years.

In competitive research funds, however, what is *already* allocated competitively amounts to over \$6 *billion* in the same three years. And that is before they have even started – the new funding model for research is highly likely to hand out competitively even those funds that are now available to universities for research as institutional block grants.

The bread-and-butter research funding – for basic infrastructure such as libraries and basic scientific equipment and IT resources – this funding, the Government has signalled, will become competitively allocated.

This will mean that those universities that are newer, that are still establishing their research profiles and track record, those newer universities will lose out badly.

And the so-called compensation that is meant to flow for them – for success in their teaching roles – is no more than a fragment of the funds available competitively for research.

An uneven playing field

Competition might be healthy where there is an even playing field. But, as everyone knows, Australia already has an extremely diverse university sector. Despite the Government's claims that all universities are boringly similar, in fact they are not. They all have their strengths, but some have severe disadvantages too – and others have significant advantages.

Take, for example, the University of Melbourne. This is an ancient institution by our standards – set on prime inner-city real estate, with well over a hundred years of public funding behind it, to help it shore up its reputation and hence its competitive position. It stands to win out massively in a market-based higher education system.

Compare that with the institution in the Northern Territory – Charles Darwin University, one of the country’s youngest universities. This is a fine institution, but a university that faces many challenges: a long distance from other population centres, small size, high costs associated with its location, financial difficulties.

How can this small regional university hope to charge the kinds of tuition fees and HECS charges that, under Dr Nelson’s deregulated fee regime, the University of Melbourne can charge?

How can it hope to win generous research grants or even to gain in compensation from the teaching “reward” funds? Despite its strengths, it cannot.

The Nelson package will mean that smaller, newer and especially regional universities will face a double whammy – they will continue to lose out on big research dollars, while also losing out in the marketplace that this Government wants to create.

The Government has shown that it realises that regional universities will lose out badly – it has inserted into its package a piece of compensation for them – the so-called “regional loading”. This is transparently a slush fund designed to buy off those institutions that face funding cuts as a result of the new proposed funding model.

But already we see that the Government has no intention to stick to the rules or the formulae in handing out this fund – it has announced that “regional” funds will go to some institutions that happen not to fit its own new guidelines, but not to others. It depends on how loudly you complain.

General issues with the reform package

One of the major problems with the reform package is that it seeks to intrude into the very environment essential for universities to act as the custodians and generators of ideas – their autonomy.

Under the provisions contained in the *Higher Education Support Bill*, all of the knowledge that universities produce and hand on is effectively to be sanctioned by the Minister of the day. If it isn’t sanctioned, it won’t be taught and it certainly won’t be funded by the Commonwealth.

Last week - at the eleventh hour and with his back to the wall - the Minister, Dr Nelson, offered up a series of petty, token concessions. This was his attempt to appease and win over Vice-Chancellors, whose outrage at the bill's unprecedented potential powers had grown by the day.

Dr Nelson's concessions go nowhere near any of the big-ticket items identified as major flaws by the Vice-Chancellors.

Nelson's list of 27 concessions vs big-ticket items

The Vice-Chancellors' Committee – the AVCC – has identified five threshold issues: five major aspects of the bill that, it says, have to change before it can be passed. The Opposition agrees that these *are* big issues, but there are more, equally as crucial.

What are the AVCC's five big issues? In a statement dated 14 November, *after* Dr Nelson had released his list of 27 paltry paper concessions, AVCC President, Professor Schreuder, provided this inventory of "substantial issues":

- interest rates on loans to full-fee students (through FEE-HELP) must be removed;
- the HECS repayment threshold must go up to \$35 000 (this is in line with Labor's position set out in our policy document *Aim Higher*);
- funding for equity programs must increase by \$50 million next year, and must grow to \$150 million within three years;
- the number of Commonwealth funded scholarships (for disadvantaged students) must be doubled; and
- the additional \$404 million in funding for universities' core teaching programs must be untied from the Government's proposed "unworkable" industrial relations reforms.

Labor could not have said it better ourselves. This package increases inequality of access – especially for the disadvantaged. It imposes unreasonably heavy debt burdens on an increasing proportion of students.

And this package would force upon universities a harsh and unprecedented IR regime, the likes of which has never been seen in Australia's history.

What has the Government offered?

The truth is, not one of these major issues, identified by the Vice-Chancellors, has been picked up in the list of reforms put forward with such fanfare by Dr Nelson on 18 November.

What have we been offered instead? Here are a few typical examples of the paltry "concessions" that Dr Nelson has used in his attempt to buy off the Vice-Chancellors:

a revocation of recognition of a higher education provider will only take place after the period of disallowance has expired.

Instead of *four* months to submit their financial statements, universities will have *six* months – as at present.

In determining the allocation of Commonwealth-funded student places, the Minister will be told to "*consider*" the views of institutions.

"Unnecessary requirements" – unspecified – surrounding the management of scholarships and FEE-HELP will be removed.

Internal structural flaws

This bill proposes to introduce a regime so interventionist in universities' internal and proper academic decision-making processes, that it literally astonished most of the Vice-Chancellors.

Even that long-time ardent supporter of the current Government's higher education policy directions, Melbourne University's Professor Alan Gilbert, referred to these intrusive provisions as:

"an interventionist regime of the kind we have not seen before in Australian higher education".

Sydney University – another "sandstone" institution, like the University of Melbourne, that stands to do well for itself in a competitive market environment – is headed up by Professor Gavin Brown. On this topic of Government intrusion, he talked about what he termed the "*overly tight straitjacket for the distribution... of*

government-subsidised university places” and “an excessive degree of control inherent in the discipline mix, with the potential for gross intrusion upon university autonomy, academic freedom and student choice.”

The proposed new higher education funding model – the Commonwealth Grants Scheme – forces the Minister to intrude in this entirely inappropriate manner on what universities teach.

The new model is based on funding by “discipline clusters”. Funding varies by cluster. Now, by contrast, under the existing funding arrangements, universities are funded essentially on the *average cost* of a student place at a flat rate. They are free to shuffle their student numbers around within that average funding level of about \$11 000 per student.

Under the proposed new arrangements, they will be funded about \$1 500 for a Law student and \$15 000 for a student in Agriculture. If they try to move their student load within their overall allocation, and teach more agriculturalists and fewer potential lawyers, the costs to the Commonwealth would blow out – perhaps by many millions - unless the Minister has the power to veto and approve these decisions.

That’s why Labor wants to see it amended to remove the detailed funding model, based on clusters. The system we have now allows for flexibility and for institutional autonomy.

As the Senate Committee said:

“Important features of the nation’s higher education system are being fundamentally reshaped and redefined by the Higher Education Support Bill. Such a radical assault on the fundamentals of the system was not foreshadowed nor discussed during the [Crossroads] review process...

‘these bills will initiate a regime which will shift costs to students. It will stifle student choice and impose a heavy debt burden on families. These bills will deepen inequities in society, and undermine economic and social prosperity.’

The alterations that are required go to the very heart of the bill:

- The radical shift of responsibility for financing increased funding for the sector onto students themselves, through higher HECS fees;

- The abrogation of this Government's responsibility to fund planned expansion of higher education, through increased Commonwealth-funded places – replaced instead with expansion based on full-fee paying places alone, of up to \$100 000 for a degree;
- The fatally flawed funding system, the Commonwealth Grants Scheme;
- The draconian industrial relations provisions that the Government wants to introduce as a condition of grant increases;
- The unprecedented intrusion on universities' proper academic decision-making powers and, consequently their intellectual role in Australian society.

As Nobel Laureate Peter Doherty said, in the *Sydney Morning Herald* on 19 November,

“... our public universities are not adequately funded.... Innovation in many areas now starts from the high-level knowledge base that is provided by a good university education... This country will not continue to prosper if we fail to provide adequate support for public education, at every level.”

During the committee stages of this bill Labor will introduce a large number of amendments, designed to salvage what, if anything, can be saved from the disaster of this legislation.