



THE UNIVERSITY OF
WESTERN AUSTRALIA

RESPONSE TO

**HIGHER EDUCATION AT THE CROSSROADS:
AN OVERVIEW PAPER**

A UWA PERSPECTIVE

June 2002



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Summary of Key Points

The full text of the University's response contains a number of boxed key points and these have been extracted below to form this summary.

- UWA welcomes the opportunity to contribute to the Minister's review of higher education initially through this response to the '*Crossroads*' paper.
- While the University is positive about the reform of the sector, it is concerned that '*Crossroads*' is not an ideal starting point for a positive review of higher education because of its lack of a real vision for the future, its insularity, and its understatement of the sector's achievements.
- The maintenance of the quality of the learning process is paramount and requires improved resourcing. Since the early 1990s, UWA has put a high institutional priority on the refocussing and systematic enhancement of the quality of teaching and learning in an atmosphere of research and scholarship. It has particularly focused on the teaching-research nexus while developing innovative and responsive programmes.
- Access and equity are fundamental to UWA's policies on funding, on admission, on support programmes and on regional delivery. The UWA approach is to mainstream equity considerations and focus on areas of distinctive opportunity and advantage. A diverse mission- and institution-specific approach to equity is needed, starting with an equitable distribution of places and funds across the system.
- There is not a single model of 'regionality' for all Australian universities, though the community service function is a common core for all institutions. Delivery to and engagement with remote and regional WA is very different from other States and this needs to be recognised in national policy and funding.
- Greater institutional specialisation would flow naturally and inevitably from reduced regulation and from a funding and policy framework in which institutions were encouraged to pursue fitness for purpose and comparative advantage.
- The University supports the ongoing aim for greater efficiency and effectiveness within a framework of ensuring internationally competitive quality and standards. However, some so-called efficiency indicators (eg. reduced cost per student) may simply reflect the erosion of quality and the use of such performance indicators should be avoided.

- Good governance and good management must be assessed in the context of institutional circumstances and performance rather than on ideological grounds. UWA demonstrates that reform of governance, effective management and effective industrial relations can and do occur in the sector and should be supported with appropriate national policies, such as proper indexation and reduced regulation.
- There is an urgent case to restore the level of Government funding in higher education which has been systematically reduced as a proportion of total revenue to the sector for over a decade. Increase in revenue from HECS and fees and charges should not be used as an opportunity to reduce Government spending in real terms.
- Income diversification and growth is a key institutional priority and scope exists for universities to achieve significant growth in non-Government income, provided Government policy supports this through reduced regulation, taxation reform, and the maintenance of public investment in the sector at internationally competitive levels.
- The key principles of an appropriate funding framework are as follows:
 - There should be a recognition that all higher education is first and foremost a public good and that the calibration of Government funding for higher education should be set at international best practice levels in terms of macro indicators such as % of GDP, and expenditure per head of population.
 - Private contributions should continue to be made by Australian students through HECS-type arrangements in which no student has to pay up-front fees, and no student has to bear the full costs of their education. This reflects the public benefit inherent in all education.
 - There should be greater equity between the States in the provision of opportunity for access and participation in higher education.
 - There should be recognition that private investment/benefit and public investment/benefit are not alternatives in a zero sum game. Increases in private investment lead to greater public benefit and vice-versa, so there is no justification for Government reducing public outlays as private contributions (HECS) have risen.
 - There should be a relaxation of the current tight regulation of student load targets and HECS/fees levels to enable institutions to be more flexible in the balance between price, quantity and quality. The extent of institutional flexibility should be limited both by market factors and by sound public policy.
 - There should be tax reform to provide greater incentives for the corporate sector to fund education, research and development.
 - There should be proper indexation of Government funding to deal with the impact of enterprise bargaining and salary management within institutions.

- In addition to the base operating grant, there should be multiple contestable funding mechanisms to facilitate and encourage diversity in the role and character of institutions, based on the principles of fitness for purpose and comparative advantage.
 - There should be a limited use of Commonwealth discretionary funding for special programmes so long as these account for a very small percentage of system funding and the greater percentage of funding flows to institutions with minimum ties.
 - There should be public Quality Assurance (through an independent agency) for the primary purposes of providing public accountability and consumer information.
 - There should be a greater role for State Governments to support specific local and regional development needs.
 - There should be an independent policy advisory council to Government, at arms length from DEST with appropriate sector representation.
 - There should be an urgent review of the current Relative Funding Model to establish a more equitable distribution of the Operating Grant, now that funding for research training has been separated out.
- Current reporting arrangements are excessive. Proper accountability for the use of public monies would be achievable through a considerably streamlined and focused Educational Profile process, through annual reporting to State Parliaments, and through a public Quality Assurance regime.



RESPONSE TO

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1. INTRODUCTION

- 1.1 The University of Western Australia welcomes the opportunity to contribute to a review of higher education, initially through responding to the '*Crossroads*' document, and subsequently through further submissions in response to the foreshadowed specific issues papers.
- 1.2 The University believes the higher education sector in Australia has undergone significant and far-reaching change over the last ten years. The extent and pace of change has been variable both within universities and across the sector, having been limited by resource restrictions and onerous compliance obligations. Nevertheless, substantial changes have occurred across the range of strategic and operational activities in the sector, and this paper uses examples from UWA to illustrate both the degree of change that has already occurred and the kinds of policy initiatives that would facilitate further improvement.
- 1.3 The format of this paper has been arranged to match the structure of '*Crossroads*', with an overview and key issues, largely for convenience and ease of reference. However, where the issues in these sections have strong interrelations (and this is in many cases), this response will necessarily blur the boundaries.

2. OVERVIEW

- 2.1 The '*Crossroads*' paper presents a useful historical overview of national policy development in higher education since 1988, and provides a checklist of some of the key issues facing the sector. However, the University is disappointed that the overview sections of the paper seem very much anchored in the past and do not present an overarching vision for the future. The overview is also surprisingly insular in approach and the historical commentary on national policy development does not contain any real comparative perspective in relation to developments elsewhere in the world. We would have hoped that the overview could have set out a clear vision of how higher education should be developed and positioned to make Australia internationally competitive. This might have included some rather more ambitious goals, such as declaring a commitment to being in the top three or five OECD nations in relation to the development of higher education, as the foundation for a successful knowledge-based economy. This would, in turn, have created a much more positive context for the Review and further development of the sector.
- 2.2 An associated disappointing feature of the overview is its lack of recognition of just how much the higher education sector has achieved in the past decade and this is aggravated by the frequent use of unsubstantiated assertions about the sector's shortcomings. We find this unhelpful in that it has immediately created a

negative tone for the Review, at a time when the nation needs to focus on the positive development of the higher education sector. We are concerned that the paper shows a limited understanding or appreciation of what the universities have achieved over a period of substantially reduced per capita Government funding, and that as a result, the paper might not have identified an accurate and reasonable starting point, or crossroad, for the Review.

- 2.3 Related to this point is the stark omission of two areas of utmost importance to the sector, and the national economy - the key areas of research, including research and development, innovation, industry partnerships, technology transfer and commercialisation, and international education, a major success story of the sector and one of Australia's leading export industries. We will say more on this later in the submission.

While the University is positive about the reform of the sector, it is concerned that 'Crossroads' is not an ideal starting point for a positive review of higher education because of its lack of a real vision for the future, its insularity, and its understatement of the sector's achievements.

- 2.4 This submission now turns to the nine key issues addressed in 'Crossroads'.

3. KEY ISSUES

(a) *Learning experiences and outcomes*

- 3.1 The main thrust of this section of 'Crossroads' is to proclaim the need to refocus on learning in higher education and thereby address issues to do with the quality and flexibility of teaching and learning arrangements in the universities.
- 3.2 This has been a high priority for UWA since the early to mid 1990s with considerable emphasis and resources being put behind teaching and learning. This has included the establishment of a Teaching and Learning Committee to guide policy in this area and assigning the teaching and learning portfolio to the Deputy Vice-Chancellor to give it leadership and prominence in a historically research-intensive University, and the establishment of a Centre for the Advancement of Teaching and Learning, to give a focal point for developments in this area. Through the University's Strategic Plan, Operational Priorities Plan, and Teaching and Learning Management Plan, high priority has been given to enhancing flexible teaching and learning, improving teaching and learning infrastructure, promoting innovative teaching, and enhancing the teaching and research nexus which is a core element of UWA's distinctive role and mission.
- 3.3 This latter point, concerning the teaching-research nexus, is particularly important to UWA. While the Government may feel that the research agenda has been and is being pursued outside the Review (initially through 'Backing Australia's Ability' and now through the national research priorities debate) its absence from 'Crossroads' demonstrates little understanding of the intimate relationship between teaching and learning and research in a research intensive university. For UWA, this relationship is fundamental and has quite profound implications for our mission and for a wide range of institutional policies and strategies, from staff recruitment, development and promotion, to issues of funding and budgeting and organisational structure. This issue is discussed further in the section on Institutional Specialisation.

- 3.4 UWA has a teaching and learning philosophy of 'high tech-high touch' which has underpinned a careful policy of integrating the new technologies with campus-based interactive learning, so that even in remote locations such as Albany, the on-line learning environment is supported by local tutors. We also believe there is a fairly common misconception that online learning is less expensive and more efficient than other kinds of learning. It is our view that done well, online learning is very expensive in technology and labour, because education is so much more than access to information. The proper co-development of technology and pedagogy is neither cheap nor easy.
- 3.5 UWA has also been very responsive to student needs, and to the requirements of industry and the professions, in the design and modification of its programmes. There is a very significant turnover in the content as well as the number of units and courses in the University's schools and faculties as new content and delivery modes are brought in, and innovative course combinations, degree streams, major sequences, and professional postgraduate programmes are initiated. This is not always easy to quantify, as change tends to be organic within the disciplines. We do believe however that '*Crossroads*' has seriously misjudged the extent of such change.
- 3.6 UWA has recently committed to move towards outcome-based learning so that by 2004 it will be advanced in all areas of the University. The University has also recently completed a major reorganisation of its academic structures to enhance our capacity to encourage more inter and cross-disciplinary teaching and to support more flexible course configurations such as combined degrees, thematic degrees, new non-traditional major sequences and international programmes. These developments have all been supported by explicit policies on course reviews, department reviews, academic assessment, and individual performance management and staff development.
- 3.7 To some extent, a university's success in this area is evident in national teaching and learning indicators, from progression, retention and completion rates, through to positive graduate outcomes, both in employment and transition to higher study. The evidence is that UWA graduates are successful locally, nationally and internationally in these areas.
- 3.8 In summary, UWA contends that its priorities, policies and practices to promote high quality flexible teaching and learning, have led to major advances in this area and that '*Crossroads*' may have significantly underestimated the impact such measures have had and will continue to have in the sector. The bottom line, however, is the challenge of maintaining the **quality** of the learning process, and in this respect restoring and maintaining funding per student is critical.

The maintenance of the quality of the learning process is paramount and requires improved resourcing. Since the early 1990s, UWA has put a high institutional priority on the refocussing and systematic enhancement of the quality of teaching and learning in an atmosphere of research and scholarship. It has particularly focused on the teaching-research nexus while developing innovative and responsive programmes.

(b) Access on an equitable basis

- 3.9 UWA has a strong commitment to access and equity and to the concept of its mainstreaming in the fabric of the University; and that is the primary reason why UWA has consistently opposed up-front fees for undergraduate students and declined to participate in the 25% fee regime. The University position with regard to PELS is similarly based; while we support its deferred payment feature we do not see that the full cost of postgraduate coursework should be borne by the student as there is always a public benefit involved.
- 3.10 UWA has a successful and very focussed equity and diversity plan and supporting policies. We are continually developing access strategies, examples of which are the UWA Excellence Awards and Millennial Awards scholarships schemes (which provide access opportunities for all WA schools and for rural students), and the Albany and Geraldton regional centres; we have alternative admission through UWay and a range of targeted support programmes for equity groups, such as the Transition Support Programme, the UniMentor scheme, the Teaching and Learning Support Programme, as well as services to assist with financial support and disability. The Centre for Aboriginal Programmes is highly successful, as are the Provisional Entry, Aboriginal Orientation, Aboriginal Pre Law and Pre-Med, and Aboriginal leadership programmes.
- 3.11 UWA does not, however, have very large numbers of students in its various equity programmes and this is largely due to the historical competition for very scarce places and the consequent very high entry scores, the high proportion of school leavers, and the high proportion of higher degree research students. The focus has been, therefore, on being effective where we have a distinctive opportunity to make a difference, and in this regard our performance in difficult areas, such as Indigenous student participation, has been strong in the face of declining performance over the last 2 years in the sector as a whole. We believe this reflects the need for, and importance of, institutions being very clear on their strengths and priorities and pursuing them accordingly. A diverse sector would encourage such an institution-specific approach, and a balanced approach within and between the States.
- 3.12 In this context one of the measures the Government could take to improve equity is to provide more places to WA and to UWA as part of a more equitable distribution of Commonwealth funded places.

Access and equity are fundamental to UWA's policies on funding, on admission, on support programmes and on regional delivery. The UWA approach is to mainstream equity considerations and focus on areas of distinctive opportunity and advantage. A diverse mission- and institution-specific approach to equity is needed, starting with an equitable distribution of places and funds across the system.

(c) Engagement of universities with their communities

- 3.13 Community service is a core role and responsibility of all universities and while they best serve their communities through the conduct of their primary functions of teaching and research, there is a wide range of other ways in which institutions interact with and benefit their communities. The benefits are economic, social, intellectual, cultural and the manner in which such benefits are realised is highly variable. At UWA, for example, we run the Perth International Arts Festival, the UWA Extension, and provide community access to art galleries, museums and theatres. The main difficulty we have with this section of the 'Crossroads' paper is the acceptance of a quite narrow and simplistic definition of a 'regional university' and of the term 'community', and the consequent implications for funding policies and mechanisms.
- 3.14 The case of UWA illustrates the point well. When UWA was established in 1911 it was "to advance the prosperity and welfare of the people" of Western Australia, and as the first university in the state, UWA has a unique and very close relationship with the Western Australian community. As its name implies, UWA serves the State of Western Australia, not just Perth. This continues to be reflected in our mission statement which states *"The University's primary mission is to advance, transmit and sustain knowledge and understanding through the conduct of teaching, research and scholarship at the highest international standards for the benefit of the international and national communities and the state of Western Australia"*. Yet under DEST's definitions UWA is not a regional university and hence would not have a "special responsibility" (p23) to its communities, despite its establishing Act and its history.
- 3.15 We contend we are indeed a regional university and that the vast and remote nature of most of Western Australia presents special challenges and difficulties, with Perth being the world's most isolated capital city. The approach taken in establishing the UWA Albany Centre illustrates both the special challenge of serving a remote community and the success of the model used. The remark in para 110 of 'Crossroads' *"Some argue that there is a danger that metropolitan universities with auxiliary regional campuses may fail fully to comprehend the wider significance of higher education to the local community"* is an example of an unattributed statement made with no evidence or argument to back it. The UWA Albany Centre has received enthusiastic local support in Albany. It uses a model combining on-line learning with local tutors and considerable contact between the Centre and the main University campus. The level of involvement of the local community in planning the Centre, lobbying for support, providing a signature building in the city, and in rallying local business and community groups, has been central to a successful venture. The exercise has been expensive, but the positive impact very substantial. It has been, however, very hard work getting an allocation of 20 EFTSU for a development that had strong federal, state and local support. One of the difficulties in securing this very modest number of places was that UWA was not regarded as a 'regional university'. This is a clear flaw in the paper.
- 3.16 Of course, UWA serves many communities - international, local, regional, business, professional, cultural and so on. These are **not** mutually exclusive communities, and are all part of a university's core function of community service. This in turn is an integral part of the mission of all publicly-funded universities and we do not see a case for different funding for the so-called regional universities at least not from the mainstream funding provided through HEFA and DEST.

- 3.17 We further believe that the principal concern of the Commonwealth should be the provision of an equitable distribution of places to the States so that there can be equity of opportunity to participate in higher education between the States. The emphasis should be on what higher education services are provided, rather than which kind of university is providing them. In Western Australia all the metropolitan universities are regional providers, with campuses/centres in Albany, Bunbury, Geraldton, Kalgoorlie, Rockingham, Broome and with more to come through rural clinical schools and partnerships with TAFE and/or high schools. The Commonwealth should perhaps concentrate on providing adequate places and funding per EFTSU to support such provision, with capital development grants as appropriate on a merit/competitive basis.

There is not a single model of 'regionality' for all Australian universities, though the community service function is a common core for all institutions. Delivery to and engagement with remote and regional WA is very different from other States and this needs to be recognised in national policy and funding.

(d) *Institutional specialisation*

- 3.18 Universities in Australia are, and should remain, autonomous institutions, publicly accountable for their performance as recipients of public funding. They are highly regulated by the Commonwealth, yet expected to operate competitively in a higher education 'market' characterised by strong international competitive pressures yet highly restrictive domestic arrangements. Commonwealth higher education policy exhibits a complex mix of conflicting messages and contradictory policy settings and funding arrangements. Current policy on fees illustrates this well, with the coexistence of full fees for international postgraduate and undergraduate students, a policy of no full fees for domestic undergraduates, except those 25% not qualified for a HECS place, and full and partial fees for domestic postgraduate students.
- 3.19 We contend that the current funding arrangements and strict student load regulations are major inhibitors to greater institutional specialisation and that institutional specialisation would follow naturally from decreased regulation.
- 3.20 In a competitive environment (universities are inescapably operating in a competitive international market) and with greater freedom to exercise decisions about their price-product mix, institutions could and would respond to market opportunities according to their strategic opportunities and capabilities. They would be governed by striking a 'best fit' between their mission and their market, and a diversity of institutional strategies would inevitably emerge.
- 3.21 The way forward is for Government to encourage this diversity through appropriate mechanisms, combining performance-based formula funding where it is appropriate, such as in research and research training, with specific purpose, contestable funding of fitness for purpose, in such areas as equity, regionality, industry liaison, etc. A package of funding reform principles that we believe would achieve this outcome is outlined in section (h) below.

- 3.22 The issue of the teaching and research nexus is important in the context of institutional specialisation. UWA has been a strong supporter of the separation of research student load from coursework load via the Research Training Scheme (RTS) arrangements, because this follows the principle of fitness for purpose by allocating research places on the basis of research capability and performance. We believe that there is still a significant element of research funding contained in the teaching component of the Operating Grant which funds teaching and research staff salaries and, in a research intensive university like UWA, with a commitment to a strong teaching and research nexus, therefore funds significant staff research activity. In universities without a pervasive research culture (and hence without a strong teaching-research nexus) the teaching component does not have to support such staff research activity, yet the Relative Funding Model assumes that it does. At the sector level, this amounts to a significant cross subsidy from research intensive to non research intensive institutions.

Greater institutional specialisation would flow naturally and inevitably from reduced regulation and from a funding and policy framework in which institutions were encouraged to pursue fitness for purpose and comparative advantage.

(e) Efficiency and Effectiveness

- 3.23 The University is fully committed to promoting efficiency and effectiveness in all its operations. But there are many complexities in the discussion of efficiency and effectiveness in higher education which the analysis in the '*Crossroads*' does not address.
- 3.24 The suggestion is made in this section, for example, that a decrease in cost (ie. expenditure) per student and an increase in student pass and completion rates would signify greater efficiency. Unfortunately this could equally indicate declining quality and lower standards, and the relationship between efficiency, so defined, and quality has not been addressed.
- 3.25 According to the paper, efficiency gains would be made simply by reducing the funding level per student; something successive Governments over the past decade have been only too willing to do. On this measure, therefore, the universities have made remarkable 'efficiency gains' as per capita funding has deteriorated and teaching loads, student-staff ratios, and class sizes have steadily risen in recent years. Similarly, as more and more students enter a mass higher education system, which is becoming more poorly resourced, it is not surprising that pressure is put on pass and completion rates. It could be cynically argued that one way to avoid this, and presumably thereby gain 'efficiency', would be to lower standards until most or all students completed. In an international industry, however, a significant lowering of standards would be very damaging to the credibility and reputation of Australian universities and their graduates. In the long term, therefore, such 'efficiencies' would undermine the whole system.
- 3.26 Australian universities have a remarkably good reputation internationally considering the funding gap between them and leading international universities. In the long term, international competitiveness is vital to the nation and an increase in the resources per student is what is primarily needed to assure quality. That '*Crossroads*' would regard this as inefficient shows a disappointing lack of understanding of the main issue in the sector.

- 3.27 Another concern in this section of '*Crossroads*' is its criticism of staff productivity, citing variable teaching loads, variable teacher quality, variable research productivity and performance both within and between universities, as evidence of the 'problem'. This implies that uniformity of such things would be preferred, which seems strangely at odds with the rhetoric in favour of flexibility and diversity. The reality is, at UWA at any rate, through greater attention to workplace reform, including flexible remuneration arrangements, and improved performance management of staff, such diversity is a positive rather than a negative, in that it enables the inherent diversity of academic work to be managed flexibly within a fitness for purpose framework. The evidence from UWA 'Working Life Surveys' is that staff workloads are very high and that sustained increases in student-staff ratios and teaching loads are causing increasing workload related stress.
- 3.28 Other areas of concern mentioned in '*Crossroads*' are insufficient collaboration and the sub-optimal use of capital assets. In both areas UWA has actively pursued policies to secure improvements where opportunities and advantages exist. However the constraints have to be understood. The policy framework in Australian higher education sends mixed messages on the collaboration versus competition issue, and the increased use of capital assets comes at a cost. The cost-benefit analysis needs to be done carefully and the paper does not adequately recognise this, nor does it adequately recognise the significant advances the sector has made in capital utilisation through the use of more flexible technologies. UWA is currently exploring the costs and benefits of a 3-trimester academic year, one of the objectives explicitly being the improved utilisation of the existing capital stock.
- 3.29 Finally, this section refers to the potential efficiency gain of collaborative 'back office' administration and shared service agreements. Experience in the sector is quite varied on this issue but it is worth exploring on a case by case basis. The issue is not simply one of costs, but involves matters of institutional control and quality. The poor track record of administrative outsourcing needs to be noted in this regard, but institutions should remain open to potential economies and efficiencies.

The University supports the ongoing aim for greater efficiency and effectiveness within a framework of ensuring internationally competitive quality and standards. However, some so-called efficiency indicators (eg. reduced cost per student) may simply reflect the erosion of quality and the use of such performance indicators should be avoided.

(f) Governance, Management and Workplace Reform

- 3.30 UWA has put a high institutional priority on governance and management issues raised in the Hoare Review and has implemented many reforms aimed at greater efficiency and effectiveness of decision-making. Some examples are given below to illustrate the extent of such activity.

- 3.31 Good governance is at the heart of the UWA Senate reforms of the last three years, and is the basis of the current UWA Review of Committees and ongoing review of decision-making processes in the institution. The recent revisions to the UWA Act, to achieve a smaller governing body with a different composition and terms of appointment; the adoption of the Senate Charter and associated Code; and the revised and enhanced management of the Senate's business and agendas, have seen a marked sharpening and improvement of governance at UWA. The UWA approach is more akin to the board of trustees model in North American universities and we believe this is more appropriate to the higher education sector than the board of directors model in the private sector.
- 3.32 UWA has developed a comprehensive and integrated planning process with an explicit linkage to the budget and resource allocation, and this has been recognised as a best practice model by independent reviewers. We have undergone three full rounds of structural and management reform to strike an appropriate mix of devolved and central authority, the last involving a fundamental restructuring of the academic organisational structure. The explicit objective of such reform is to improve the management of the University in both academic and resource matters, and a comparative analysis of UWA's performance on national indicators suggests it has been successful.
- 3.33 Efficiency and effectiveness of decision-making must be assessed in the institutional context and culture. Devolution at UWA generally has sought to combine the principles of collegiality, so important to our culture, with greater executive and line management authority and responsibility. We do not see these as mutually incompatible. Collegiality is characterised by certain values and behaviours. Principally it involves transparency and consultation and does not necessarily mean management by committee, though this is not always appreciated, either inside or outside the University. The University's line managers can and should be collegial by embodying these principles in the exercise of their delegated authorities and responsibilities.
- 3.34 UWA has been recognised (by DEST and others) as a well-managed institution in many diverse areas, including the management of our financial and physical assets and investments, the management of our student intakes, enrolments and load targets, the management of our human resources and industrial relations, and the management of our planning and quality assurance processes.
- 3.35 The area of human resource management and industrial reform is a particular target in 'Crossroads', and so UWA's performance in these areas perhaps needs to be singled out. Both as part of the enterprise bargaining process, and independently, there have been significant workplace reforms, in areas such as performance management, disciplinary and redundancy provisions, voluntary separation, and flexibility in employment conditions. UWA has a flexible remuneration policy with provision for a wide range of over-award payments linked to market, merit and strategic factors. Industrial relations is conducted openly and positively in a strategic context, with pay negotiations explicitly linked to the University budget process and to capacity to pay. The University conducts regular 'working life surveys' to provide a research base for its staffing policies. UWA has successfully negotiated Enterprise Agreements and has not found the existence of regulations such as those in the HECE Award unduly restrictive nor has pattern bargaining prevented us managing the enterprise bargaining process. We have not pursued a policy of casualisation of the workforce and have not experienced industrial disruption.

The 'Crossroads' document does not recognise the extent and success of such measures, and in our view levels its criticisms more from a position of ideology than genuine workplace reform; the insistence on Australian Workplace Agreements instead of more flexible common law contracts, as a condition of receiving workplace reform funding, is a case in point. The case of UWA illustrates that it is quite possible to effectively manage staff and industrial relations in a university - the critical condition is effective local management, not dogma-driven central 'reform'.

- 3.36 UWA's main problem arises from current funding arrangements where the lack of proper indexation and generally inadequate resourcing is an impediment in all areas of management, including human resources and industrial relations.

Good governance and good management must be assessed in the context of institutional circumstances and performance rather than on ideological grounds. UWA demonstrates that reform of governance, effective management and effective industrial relations can and do occur in the sector and should be supported with appropriate national policies, such as proper indexation and reduced regulation.

(g) Revenue Diversification

- 3.37 UWA's principal financial goal and a major corporate priority has, for the last eight years at least, been to maximise the resources available to the University from a diversity of funding sources; and to optimise the efficient and effective use of scarce resources in the achievement of the strategic plans of the University and its constituent parts. The University's Operational Priorities Plan laid down a 5-point plan for increasing revenue from other than the Commonwealth Operating Grant, focussing on:

- research income
- alumni, bequest and benefaction income
- fees and charges for overseas and Australian postgraduate students and non-award courses
- State Government grants and contracts
- industry funding

- 3.38 This has been a successful strategy, as illustrated by the following table. UWA is one of the nation's universities least dependent on the Commonwealth Operating Grant, which accounted for only 28% of our total income in 2001.

	1999 \$m	%	2000 \$m	%	2001 \$m	%
Operating Grant	94.446	30.7	95.948	28.7	97.052	27.8
Total Commonwealth Grants	120.254	39.1	120.927	36.1	125.115	35.8
Total Income	307.333		334.566		349.631	

The particular challenge for the next two to three years will be to increase revenue on a per EFTSU basis and to do it with unrestricted funds (including income substitution).

- 3.39 However, one reason why non-Government income has risen significantly as a proportion of total income is that there has been a sustained reduction in the per capita Government funding of higher education for over a decade. Some telling statistics from 'Crossroads' are that public spending on higher education as a percentage of GDP has fallen by over 15% in the period 1991 to 2000 (and in this measure HECS is **included** as public spending). In the same period, 'Crossroads' notes that private spending on higher education as a percentage of GDP, excluding HECS, has risen by about the same amount.

When an analysis of revenue sources to universities is done to properly separate HECS from public spending (since HECS is a private contribution by students) the following picture emerges for the sector:

Sources of University Revenue, by %, 1991-2000

	1991 (%)	2000 (%)
Commonwealth Government Grants	55.1	41.9
State Government Grants	5.1	1.5
HECS	11.7	17.9
Student Fees and Charges	9.8	18.2
Other (includes income from consultancy, contract research, investments, royalties, etc.)	18.3	20.5

Source: "Crossroads", Table a8, page 54

This shows a dramatic shift in the funding of higher education from public to private sources over the last decade, making Australia among the highest OECD nations in terms of the burden of costs borne by students (behind only the United States, Japan and Korea). It is our view that there is an urgent need to restore the level of public funding in the sector and to at least maintain it as a proportion of total funding into the future.

- 3.40 The most striking source of increased revenue to the sector during the last decade has been fee income from overseas students, the number of which nearly trebled and the income from which has more than doubled, through the 1990s. This has propelled the higher education sector to be the eighth largest export earning industry in the national economy and illustrates the sector's ability to be competitive and enterprising when Government regulation is relaxed to allow the sector greater flexibility. Even greater success could be achieved in this area if the Government were to improve its approach to granting student visas, as this is a significant inhibitor to student recruitment currently.
- 3.41 The biggest single revenue problem facing this University is the low and inequitable per capita funding rate from the Commonwealth. Since the RTS load has been separated from the general Operating Grant, it is possible to see for the first time the substantial relative disadvantage of UWA in funding per EFTSU, both in relation to Go8 universities and the Australian average. When the analysis is done using weighted EFTSU, to take account of the discipline and student mix, the UWA funding rate is among the worst in the country and clearly the worst of the research-intensive universities. This will be the highest priority issue for the University in the coming Educational Profile round, along with the problem of the serious inadequacy of Commonwealth funded places which has

seen UWA's demand for places and cut-off scores become generally the highest in the system.

- 3.42 Notwithstanding the above, we agree that there is scope for further income generation in areas such as professional and continuing education, industry funding and commercialisation, and international funding, as long as Government makes appropriate policy changes, such as in the area of taxation reform, to encourage greater private investment from other than the students, who already pay a significant contribution through HECS. Such additional revenue streams should not, however, become the justification for reducing public funding of higher education in the way that increasing HECS revenue has led to substantially reduced Government funding per EFTSU.

There is an urgent case to restore the level of Government funding in higher education which has been systematically reduced as a proportion of total revenue to the sector for over a decade. Increase in revenue from HECS and fees and charges should not be used as an opportunity to reduce Government spending in real terms.

Income diversification and growth is a key institutional priority and scope exists for universities to achieve significant growth in non-Government income, provided Government policy supports this through reduced regulation, taxation reform, and the maintenance of public investment in the sector at internationally competitive levels.

(h) Allocation of Public Subsidies

- 3.43 The use of the term public 'subsidy' in 'Crossroads' reveals flawed and misleading thinking that fails to recognise that Government expenditure in higher education is public **investment** in the Australian economy and society. Subsidisation only occurs when public funding exceeds public benefit and there is nothing to indicate that this is the case. Certainly, the paper offers no argument or evidence in this regard, whereas many commentators have produced data that indicate that investment in higher education is profitable to Government, not only in terms of the nation's increased long term productive capacity but in direct GDP terms from the economic impact of universities and their graduates.
- 3.44 The University has argued that any revised funding policy must be a mixed model of public and private contributions (**not** subsidies) which recognises that higher education has public and private benefits in proportions to be determined by policy decision based on international 'best practice'. A more detailed submission on the elements of a reformed funding framework advocated by the University will be forwarded shortly in response to the foreshadowed funding paper. The basic principles of this framework are outlined below.

KEY PRINCIPLES OF A FUNDING FRAMEWORK

- **There should be a recognition that all higher education is first and foremost a public good and that the calibration of Government funding for higher education should be set at international best practice levels in terms of macro indicators such as % of GDP, and expenditure per head of population.**
- **Private contributions should continue to be made by Australian students through HECS-type arrangements in which no student has to pay up-front fees, and no student has to bear the full costs of their education. This reflects the public benefit inherent in all education.**
- **There should be greater equity between the States in the provision of opportunity for access and participation in higher education.**
- **There should be recognition that private investment/benefit and public investment/benefit are not alternatives in a zero sum game. Increases in private investment lead to greater public benefit and vice-versa, so there is no justification for Government reducing public outlays as private contributions (HECS) have risen.**
- **There should be a relaxation of the current tight regulation of student load targets and HECS/fees levels to enable institutions to be more flexible in the balance between price, quantity and quality. The extent of institutional flexibility should be limited both by market factors and by sound public policy.**
- **There should be tax reform to provide greater incentives for corporate sector to fund education, research and development.**
- **There should be proper indexation of Government funding to deal with the impact of enterprise bargaining and salary management within institutions.**
- **In addition to the base operating grant, there should be multiple contestable funding mechanisms to facilitate and encourage diversity in the role and character of institutions, based on the principles of fitness for purpose and comparative advantage.**
- **There should be a limited use of Commonwealth discretionary funding for special programmes so long as these account for a very small percentage of system funding and the greater percentage of funding flows to institutions with minimum ties.**
- **There should be public Quality Assurance (through an independent agency) for the primary purposes of providing public accountability and consumer information.**
- **There should be a greater role for State Governments to support specific local and regional development needs.**
- **There should be an independent policy advisory council to Government, at arms length with appropriate sector representation.**
- **There should be an urgent review of the current Relative Funding Model to establish a more equitable distribution of the Operating Grant, now that funding for research training has been separated out.**

- 3.45 The University does not support performance-based funding in areas where measuring performance is at best difficult, at worst fundamentally flawed (as in the use of student pass and completion rates, for example, to 'measure' teaching quality and performance without reference to completion standards), but supports it where it is appropriate, such as in research funding.
- 3.46 UWA has pioneered performance-based funding for research and has argued for competitive grant allocation and contestability of research student funding, based on research capacity and performance; and improved infrastructure funding through the major research agencies and the infrastructure block grant. Our major points of issue remain the quantum of funding and some aspects of quality assessment; in other respects, the University supports a number of the current elements of research funding policy.
- 3.47 UWA is also sceptical of some models of competitive tendering which elsewhere has led to price cutting and inevitably, quality cutting. We do support, however, the notion of multiple contestable specific purpose funding sources in addition to mainstream teaching and research formula funding, so that institutions can compete according to differential institutional strengths and missions. For example, access and equity funds, supplementary regional development support, industry-related funding, could all be contestable, and institutions have access according to the merits of their proposals in each area. **The principle of 'fitness for purpose' is at the heart of this approach, with diversity of funding sources needed to match diversity of institutional strategies and niches.**
- 3.48 The area of additional contestable funding lends itself to the notion of funding partnerships between different Commonwealth departments (eg. with responsibilities for education, and regional economic development), between Commonwealth and State Governments, and between Governments and industry. UWA does not believe that the distribution of core teaching and research funds should be distorted by introducing (implicit or explicit) weightings for, say, equity or regionality or other characteristics for which there is no satisfactory measurement basis or appropriate categorisation of institutions. (This point is made in relation to regional universities in section (c) above.) We do support, however, the transparent use of specific funding for specific purposes with explicit criteria governing contestability.
- 3.49 A final comment on public funding relates to Derek Bok's well known quote, that *"if you think education is expensive, try ignorance"*. UWA would add to this 'try mediocrity' because at present there are no Australian universities funded at top international levels, yet Australia cannot afford to be uncompetitive in a knowledge-based global economy.

(i) Cutting bureaucratic red-tape

- 3.50 UWA accepts its responsibility to be publicly accountable as an institution using public funding for public benefits. We do think, however, that the degree of accountability, regulation and reporting has blown out to unmanageable levels. At last count, UWA was accountable under one hundred and eleven separate pieces of Commonwealth and State legislation. The reporting requirements are extremely onerous and it is not clear that the data and other returns and submissions we are required to make have actual utility. Certainly there is a poor match between the information required for sound institutional management and that required for external reporting. This is an issue taken up at least annually by

the University with Commonwealth and State authorities. The Review is therefore an opportunity to pursue this matter further.

Current reporting arrangements are excessive. Proper accountability for the use of public monies would be achievable through a considerably streamlined and focused Educational Profile process, through annual reporting to State Parliaments, and through a public Quality Assurance regime.

4. THE NEXT STEP

- 4.1 The University is forwarding this submission now as its initial response to the '*Crossroads*' document and intends to follow it up with more specific submissions arising from a consideration of the foreshadowed Issues Papers.

The University of Western Australia

28 June 2002