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The University of Western Sydney has a proud history. Now it must compete on the market. Colt Group

Can anyone recall why Monday 12 December 1983 was such a crucial date in Australian history?

It was – of course – the day everything changed for the Australian economy. On that December morning the Australian dollar floated on world money markets.

My message today is simple. The first day of January 2012 may prove a day of equal significance for Australia’s universities. Its implications will take time to play out, but there is no going back: like it or not, change is about to sweep through the university sector, as profound and far-reaching for universities as opening the Australian economy nearly thirty years ago.

For on 1 January this year, we walked away from decades of close government control of universities and created instead a market for undergraduate student places.

And markets change everything.

Consider the long evolution of Australian higher education by thinking about a single campus.

More than 120 years ago, the colony of New South Wales decided to train future leaders in agricultural practice and research. Officials chose the historic settlement of Richmond and established the Hawkesbury Agricultural College in 1891, with 26 students.

In the decades that followed, the College worked its 4,000 acres of experimental farm, expanded its range of courses, acquired new science labs, and introduced classes in agricultural economics and food science.

In 1972 the College became a College of Advanced Education, and in 1988 its leadership seized the opportunities offered by a round of institutional amalgamations to become the Hawkesbury campus of the University of Western Sydney.
Once the Hawkesbury Agricultural College was a place apart. Today, as the major provider of higher education to Western Sydney, the Hawkesbury campus is one of six UWS locations that serve as major employers, significant transport hubs and magnets for private companies offering student accommodation and services. The institution provides graduates and innovation for a huge region of the city.

Like other Australian universities, UWS has become an important player in international education. Each year it attracts thousands of international students keen to study in Western Sydney. Most will return home, but some will stay, an important addition to the skills and youth of the region.

Those international students are part of an important, but less observed change in Australian higher education – the shift from public to private funding.

Until the 1980s, Canberra provided the income of universities. Free tertiary education for Australian students ended in 1989, with the introduction of the Higher Education Contribution Scheme. Universities were encouraged also to enrol international students, at whatever fees they could command.

In the years since, the burden of funding tertiary education has continued to shift from public to private, from taxpayers to students and their families. This year UWS, like every Australian university, will earn a significant proportion of its income from student fees. Australia has made university education a largely private expense.

As Hawkesbury merged into UWS, so higher education changed in many places, from a lightly managed local activity to a sector of professional institutions operating at international scale.

UWS is now one of the largest universities in Australia, with a 34 per cent increase in Commonwealth-supported places over the past four years.

In The Australian Financial Review last Thursday, UWS Vice-Chancellor Janice Reid described how UWS has “soaked up latent demand among school leavers and mature age students in Sydney’s west”, following the lifting of restrictions on how many students universities can enrol.

Today, over 50 per cent of UWS students are “first-in-family” participants in higher education, from backgrounds where no-one – mother, father, sister, brother – has completed university study.

The story of the Hawkesbury Agricultural College is the story of Australian higher education – from state to national, from small to large, from stand-alone to part of a bigger institution, from local to international and from public to private funding.

This has been a long transformation – generations in the making.

Yet January 2012 was an inflection point, a moment when policy changed direction. The result for Australian universities is a revolution no less, even if a quiet one.

For in January this year, Minister Chris Evans introduced a demand driven system. Canberra now provides funds based on the number of undergraduate students who enrol in a university. Universities can grow or contract in response to student demand. Suddenly student preferences will shape what institutions offer.
The logic of markets has been placed at the centre of higher education.

It is not a complete market – Canberra continues to exercise strict price controls on domestic undergraduates – but from now universities must compete for students. Should they fail to attract sufficient load, amalgamation or closure must follow.

The effects of the change were immediate and dramatic. Record numbers of students found places in tertiary study for 2012. Indeed, almost every candidate who applied anywhere in Australia was offered a chance to study.

For individual institutions to go on growing at this rate, they must win students from each other. Australia’s universities have been set on the path to fierce competition.

A demand driven system is micro-economic reform similar to the deregulation of banking in the 1980s, to the introduction of private providers into public utilities in the 1990s, to the contracting out of government services in the 2000s.

Like those changes, the introduction of market arrangements will profoundly alter the sector. It means that students – not Commonwealth bureaucrats and, increasingly, not academics – will decide what universities teach.

Universities are no longer guaranteed a certain number of enrolments. A market has replaced quotas and protection.

Yet it is a constrained market – institutions must compete on quality, since they are not allowed to compete for domestic undergraduates on price.

In the international arena, by contrast, Australian universities have long competed on quality and price. Indeed Australian universities rely on international income, essential to cross subsidise teaching for domestic students.

And this is a big industry. In 2010, Australian institutions enrolled more than 335,000 international students, and earned around $16 billion in export income. For some universities, international students make up over half their enrolments.

This may not continue. China, Hong Kong, Singapore and South Korea have built high quality universities. Their best students may no longer seek education abroad. As the dollar continues to rise against major currencies, the cost of study in Australia becomes ever higher.

So our universities face competition at home and abroad – from each other, from emerging international alternatives, and from a rapidly growing private sector.

Australia has only two private universities, but there are over 140 private providers, TAFES and international players offering higher education courses in Australia. Each wants its share of the domestic and international student flow.

The competition, already vigorous, will be unremitting.

Why place so much emphasis on markets? Surely every other part of our economy faces the same pressures?

Well yes. But most other parts of our economy are not structured as public service-style organisations, with an ethos that emphasises public good, community engagement and
scholarship over commercial realities. Market discipline is an uncomfortable fit for a sector inclined to view education as more than a commodity.

Markets change everything. The introduction of a market logic will upset hierarchies and impose rapid institutional transformation.

Some institutions will thrive with expanding enrolments and quality offerings.

But, like Tennyson’s “nature red in tooth and claw”, the market will bankrupt others which fail to attract sufficient students. No sector introduced to a market rationale is ever the same.

We know this from recent history. Nearly thirty years ago, in 1983, the nation faced unemployment rates of 10%, annual inflation at 11% and declining terms of trade. Poor policy choices may have left Australia in the position now faced by some European nations.

The response was a turn to market mechanisms: the Australian government floated the dollar, lowered tariffs, partly deregulated the financial system and sold off many government enterprises. Ready or not, the nation was exposed to global competition.

The introduction of markets saw public service icons such as Telstra and Qantas became private companies. New sectors emerged, notably in finance and services, while others such as manufacturing faced unprecedented turbulence and significant decline. Companies that could not export into Asia failed or were taken over by larger holdings.

Almost three decades on, Australia is a much changed economy.

Employment has been strong for decades, inflation controlled. Yet many once-famous companies from 1983 no longer exist. They did not survive the transition to a trading nation.

Likewise, thirty years from now, the higher education sector will be transformed. By embracing the recommendation for a demand driven system, we have signed on for a very different future.

Why the discomfort among some about the shift to markets? After all, private universities have flourished for centuries in North America, and Bond University has operated for more than 20 years on the Gold Coast.

In part this is the challenge of transition. Public universities are imbued with the ethos and operations of public institutions. They are led by scholars, and value peer judgement and consultative decision-making on academic questions.

Now we must reconcile these traditions with a world of competition. At heart, this is a clash of outlooks. Academics embrace the language of higher education as a public good. We seek to educate and promote free intellectual inquiry.

We value higher education as worthwhile in its own right. Our primary purpose is to pursue educate and advance knowledge.

For many passionate about higher education, it is not easy to match this identity with market realities. Students may value very different outcomes – and, in a demand driven system, they vote with their feet. Students can leave one university for another more congenial, for an on-line course offered from the United States, or a degree available at the local TAFE.
Inside the sector, we struggle to think of universities as economic entities, offering commodities to a market. Yet, at first slowly, and now with dizzying speed, these are our circumstances. A Latin tag or 120 years of excellent agricultural education in Richmond may count for little in a market with vast and growing choice.

A new policy environment has profound implications for the way each university operates. It also necessitates reflection and change from the sector’s peak body, Universities Australia.

A traditional role for a peak body representing public institutions has been to call for increased government funding.

But mendicants are unwelcome at the best of time, and have little appeal in a market. So the peak body must instead focus on securing a fair competitive environment: we need from government a regulatory environment that sets clear rules of engagement, while leaving each university scope to develop a distinctive contribution.

If government is no longer to dictate the number or allocation of students, then it must hold the ring – create the setting in which market forces can deliver growth, while ensuring that quality, access and reputation are not lost amid the frenzy.

This is a different role for government. It makes most existing regulation of the sector irrelevant, and calls instead for intelligent and agile market design.

For Universities Australia, the changed policy setting requires fresh thinking about the role of a peak body. Our core business becomes to ensure that Australia’s regulatory, fiscal and policy framework sustain and enhance the sector.

Universities must take control of their fate – by being clear about the role of government in the sector, and speaking out loudly when government seeks to return to more controlling ways.

The membership of Universities Australia will become more diverse than ever; markets reward niche players, and over time the demand driven system will likely push universities in very different directions.

Yet we retain an enduring shared interest in the policy framework that holds up the market – accreditation, common qualification standards, quality controls, visa policy and public investment – all essential to maintain a high international reputation for the sector.

These are common interests that will hold the membership of Universities Australia together. But to speak to its own constituency and to the wider public, Universities Australia must do something uncomfortable: become part of the political process, by articulating and promoting a vision for higher education in this country.

So this year, Universities Australia will marshal the talent and ideas of its 39 university members to develop a comprehensive statement for Australian higher education policy.

This is a journey with three steps:

- We have commissioned our first detailed national polling work on Australian attitudes to higher education. We need to understand community views – including unflattering messages.
- From the middle of 2012 Universities Australia will run public meetings across the country to engage communities about their aspirations for higher education. We seek
a conversation with everyone interested in the role of higher education in Australia’s future; and
• Universities Australia will complete and publish a detailed policy position for release well before the 2013 federal election. This will be a comprehensive statement from the sector about what it seeks from the next government.

Which is to say Universities Australia wishes to lead, not follow.

Inevitably, Universities Australia CEO Belinda Robinson and her colleagues spend much time writing submissions on government reports and proposals. But alongside this work, we must argue, vigorously and in public, for a higher education agenda that best serves this nation.

And in a move that may challenge academics, we must do more listening than talking. A policy statement that fails to address the most dearly-held aspirations of Australians will find little support in the community.

Hence a process that starts with polling attitudes and talking to interested advisors. Our consultation must reach beyond the university gates. This is why during 2012, four universities from around Australia – ANU, Deakin, Curtin and Central Queensland – will sponsor community meetings on the role of higher education in Australia’s future.

At those fora, and subsequently in policy, Universities Australia members will address the tough questions posed by a demand-driven system.

How do we fund important disciplines that fail to attract students? In a market these just disappear. As a nation, we should have a different view about the intellectual and practical importance of some courses with little popular appeal.

Do we really want to face the future with few skills in maths and science, with only a handful of citizens able to converse in the languages of our region?

Tough questions.

How should policy respond where there are sharp shifts in market share, or even failure in some institutions? In other sectors, the introduction of a market sees rapid consolidation of companies. Will universities be allowed to form alliances, to amalgamate with TAFEs and private providers?

And how will public institutions respond rapidly when they are defined by state and territory legislation?

Even tougher questions.

In a market, universities must be able to capitalise on their strengths, to find a compelling niche in this brave new world. Yet closure of courses or campuses is always controversial, and often subject to political direction. How will the new policy framework allow meaningful diversity amid the likelihood of unpopular decisions?

There are more players than universities in higher education. What should be the role of private providers, of TAFE? Will Australia end up replicating the school system, with governments funding both public and private institutions?
And as international players arrive on our shores, do they too claim a share of taxpayer support?

We must ask how regulation will work in the new policy setting. The Bradley report recommended new agencies to oversee quality, and these recommendations have been implemented faithfully by the federal government.

But we await the first test of this new regime – what happens when the quality agency deems an institution no longer meets the definition of a university?

And the toughest questions of all.

How can we achieve per student funding that enables us to deliver world class education? What should be the mix of contribution between government and students?

And how do we avoid slow decline when governments will not provide sufficient funding for universities, yet fear the political backlash of raising undergraduate fees?

These questions only relate to teaching and students. There is a whole further world of complexity about research.

In a world of constrained resources, when nearly 80% of grant applications cannot secure funding, how do we ensure research has the support it needs in every university?

None of these questions has a clear answer – but they must be discussed if Universities Australia is to propose a viable policy framework for Australian higher education.

By asking the tough questions, by starting a difficult conversation, Universities Australia helps us think about the world to follow the demand driven system, a world beyond any of our experience.

I began this afternoon with challenges. Let me conclude with the opportunities.

An expansion of tertiary places will secure choice and prosperity for millions more young Australians. In a world where the demand for post-school education is growing rapidly, universities are key institutions for creating equality of opportunity.

In 1970, only 3% of Australians held a degree. Today, 35% of young Australians hold a bachelor’s degree. We will expand participation to at least 40% by 2025.

Many new graduates will be the first in their families to university. Education is a vast intergenerational project – investment today returns benefits for those who follow.

Reform in higher education can deliver a much-needed boost in national productivity, creating high level skills and new knowledge for innovation.

Indeed this productivity pay-off is one reason Treasury Secretary Dr Martin Parkinson identifies higher education as central to the next wave of structural reform.

If we design our markets with skill, Australia will go on attracting some of the world’s top talent to our shores. International students ensure vibrant city centres, welcome diversity in the classroom, and life-long links between this nation and our neighbours.
Higher education is the nation’s fourth largest export sector – and in much of Australia the largest local industry. We live in a region that will add more than a billion people to the middle class over the next twenty years. Get the policy settings right and Australia can remain a much-valued centre of global education for decades.

But above all, the right settings mean higher education can go on making a difference in the lives of individuals. Just think about the experience of Roy Tasker, a talented academic from the Hawkesbury campus of the University of Western Sydney – and the Prime Minister’s Australian University Teacher of the Year.

Roy is passionate about his discipline – chemistry – and like tens of thousands of academics across Australia, sees his work as a chance to enrich lives.

Even after 25 years in the job, Roy Tasker still gets excited when a student, struggling with a challenging idea of difficult concept, experiences the ‘ah ha' moment – the breakthrough to understanding.

He says: “I’ve had students who were so scared of chemistry they were almost in tears. But by breaking the concepts down and helping them visualise what's happening at the molecular level, it opens them up to a whole new world. [It] helps them see how all those daunting, formal chemical symbols and equations fit together."

Roy Tasker was the first in his family to study at university, and these days most of his students at the Hawkesbury campus are in the same situation – often with immense pressure of expectations from their broader kin.

Yet, says Roy, every year at graduation ceremonies, students are accompanied not only by immediate family, but a virtual army. This is an important moment, Roy notes, “You realize these students are part of a clan. They are not only first in their family: they are the first in a generation, the first in their extended family” to complete a university degree.

As Roy Tasker teaches in the old Hawkesbury Agricultural College, now UWS, he shows why higher education is a public good, opening minds to new knowledge, liberating and empowering. This is the heart of the academic enterprise we must still value amid the new discipline of a market.

From January, Australia’s universities embarked on an extraordinary journey. We have floated our dollar.

Universities are already among the largest industries in this country, significant employers, important contributors to innovation and skills. Universities support culture and reason, new knowledge and old learning.

Universities train graduates who will earn significantly above the median income in the decades to follow, and return much of this to the nation through taxes.

A new policy framework gives universities permission to make our own futures. If we get this right, the possibilities seem unlimited. Universities Australia is proud to be part of this exciting, vital, Australian story.