More plans to deregulate and privatise tertiary education in Australia

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Last month a cabinet submission, prepared by Education Minister Dr David Kemp, was “leaked” to the media. It canvassed plans to deregulate university fees, introduce a voucher system and replace the existing Higher Education Contribution Scheme (HECS)—a government subsidised student loan scheme—with a new loans scheme charging market rates.

Much of Kemp's submission was derived from recommendations made in last year's West Report commissioned by the federal Liberal government. Not surprisingly, the Report's author, Roderick West was quick to praise it: “I was delighted to find that the Government has finally embraced much of the West report, and generally the recommendations that we made have been taken up by Dr Kemp. If you're going to have a very good education system, then one has to pay for it.”

Students and academics across the country denounced the submission, and within days, the government decided to withdraw it. Liberal Prime Minister John Howard, mindful of the recent and unexpected defeat of the state Liberal government in Victoria, told the national media: “We have no intention, no intention at all, of introducing an American-style approach to university funding in this country”.

In reality, the Howard government has already begun to introduce a user-pays, “American-style” system. By 1998 new legislation enabled universities to enroll 25 percent more students on a full-fee paying basis. Up-front fees of up to $22,000 a year were introduced in eight institutions for all courses (excluding medicine). Kemp's submission seeks to take this further, allowing universities to charge full fees for all students.

Since 1996 government funding to universities has been slashed by $800 million—15 percent of total revenue. By the year 2002, universities will have lost nearly one quarter of the public funding they received just three years ago.

As a result, they increasingly rely on student fees. Revenue from fee-paying students increased from just under $200 million in 1990 to $630 million this year. From 1996 to 2000, it will have more than doubled. Taking the decade as a whole, there will have been, by 2000, a staggering five-fold increase in total income from student fees. Based on recent trends, universities predict to enroll an additional 15,000 domestic fee-paying students by 2001. Over the same period they will seek 29,300 more overseas student enrollments.

The deregulation and privatisation of tertiary education began under the Labor governments in the 1980s. They introduced student enrollment fees, the student loan scheme HECS and reduced government funding. In 1987 Labor's Education Minister John Dawkins made clear that if universities wanted extra funding, they would have to raise it themselves through cutbacks or by turning to private sources.

The Howard government has dramatically accelerated this agenda. In 1996 the Liberals cut $600 million from the tertiary budget—the largest single cut to university funding in history. The cutbacks resulted in the shutdown of entire campuses, university departments and subject areas with thousands of university staff retrenched and 50,000 university places eliminated.

Education Minister Amanda Vanstone introduced a "differential HECS" system, increasing the cost of degrees in more expensive courses such as medicine and science by up to 125 percent. The HECS income threshold for repayment of student loans was lowered from $28,495 to $20,701—thus accelerating the repayment schedule for students, bringing the government an extra $817 million by 2000. Strict means-testing for AUSTUDY was introduced, forcing a quarter of all students off the government-paid living allowance.

In the aftermath of the 1996 budget the entire ethos of university governance has been transformed. Universities have established their own corporate arms to raise revenue and become internationally competitive. The West Report's predictions are already being realised: “As the industry becomes more global, the traditional institutions will be challenged—and indeed, are now being challenged—by private competitors both here and overseas.”

In fact, the higher education sector generated $1.4 billion in export earnings last year, just behind the combined exports of iron and steel. Several universities now make profits through offshore private campuses, located mainly in Asia, as well as contracting out university staff into consultancy work. Some staff earn $3,000 to $4,000 a day, with a percentage taken by the university.

In 1998 the University of Melbourne, one of the country's oldest and most prestigious tertiary institutions, established its own private university, Melbourne University Private (MUP), due to open in 2001. MUP will charge annual fees of beween $10,000 and $25,000, and will offer private postgraduate training, research and development, and consultancies, especially in North and South East Asia. Sitting on its board of directors are Barry Capp, chairman of National Foods Ltd and director of Westpac Banking Corporation; Ian Renard, director of AMP Ltd, CSL Ltd, Ericsson Australia Pty Ltd and Newcrest Mining Ltd and David Crawford, a director of BHP.

Competition for domestic and international students, as well as government funding is escalating. The traditional university association, the Australian Vice Chancellors Committee, has fractured into two major camps—the “Group of Eight” (Go8), comprising eight of the wealthiest "sandstone" universities, and the newer institutions in the Australian Technology Network (ATN). Both the Go8 and the recently formed ATN fight to augment their share of funding and students, leaving the poorer regional universities with a smaller slice of the public funding pie.

In another policy document released in July, Kemp calls unashamedly for the establishment of a new corporate environment in postgraduate research. Known as the Green Paper, and entitled “New Knowledge, New Opportunities” it argues: “Institutions need to create a more entrepreneurial culture within their own domain: they need to recognise the importance of commercialisation to our national economic and social interest”.

Kemp insists on a student body that is “highly skilled, adaptable and entrepreneurial”. He also calls for postgraduate reform to produce “research that is responsive to the needs of industry and... should also help create an entrepreneurial climate attractive to venture capital.” The new reliance on private funding will inevitably have consequences for the independence of academic curricula.

Funding for research has declined by 17 percent since 1996 with regional universities the most severely affected. The Green Paper thus proposes "a new role" for research in these institutions. In plain language, it means that unless they form links with local industries, they simply will not survive.

Regional universities will be obliged to conduct research compatible with the needs of the "local community", in other words, local industry. According to Kemp, “We see a very important research role for the regional universities, but that is a role focused on the region itself... (they will be) regional leaders in stimulating business growth and new enterprises.”

Kemp's vision was exemplified in the granting of this year's ‘University of the Year' to Deakin University—a regional university. Deakin was honoured for launching Deakin Australia, the first corporate university to emerge from a public university in Australia. Known as the "Coles Institute", it coordinates training for Coles supermarkets' 55,000 staff, providing such training as shelf-stacking, as well as MBA's (Masters of Business Administration). Deakin has recently announced that it will provide consultancy and research services for 31 Australian and US-based corporations including BHP, Alcoa, CSR, GMH, Coca-Cola, Ford and Dupont.

While Kemp and Howard deny they are preparing to introduce a general tertiary voucher system, the Green Paper contains proposals for vouchers for postgraduate students. Students will be funded to study at a particular university, but the money will be attached to the student. The voucher's tenure will extend for up to two years for a Masters degree and up to 3.5 years for doctorates. After this, students will be obliged to fund their own research, or raise the finances from industry. This will affect most longer term research projects, including those in pure mathematics or theoretical physics, where quantifiable outcomes cannot be immediately determined.

Currently, 31 percent of postgraduate students pay up-front fees. By 2000, universities are planning to increase this number by 11,000, an 83 percent increase since 1996. The government has also announced a reduction in the total number of higher degree research places nationally—from 25,000 to 21,500—a decline of 14 percent.

Despite the much-publicised temporary shelving of some of his latest proposals, Kemp declared this week that he expects universities to undertake “discretionary revenue generation through fee-paying courses and other activities.”