DAY TWO - Friday, 19 September 2014

WELCOME & INTRODUCTION

Lisa Middlebrook welcomed everyone to the second day of the Summit and drew attention to the diversity of participants across education, academia, business, government and the voluntary sector. She thanked the sponsors and acknowledged the difficulty of specifying topics for discussion across all aspects of education. She then introduced the opening speaker, the Hon. Christopher Pyne MP, Minister for Education

KEYNOTE ADDRESS

The Hon. Christopher Pyne MP
Leader of the House
Minister for Education
Australian Government

Minister Pyne acknowledged Ms Middlebrook, Mr Peter Fritz AM, the Hon. Philip Ruddock MP, the Hon. Neil Batt AO and all present at the event. He hoped for a collegial and positive discussion in a relatively informal atmosphere, believing the Summit to be a great opportunity to exchange ideas and plans for the future.

Outlining the background to the Australian Government’s tertiary education reforms, the Minister paid tribute to the contribution of the GAP Taskforce on Leadership in Education to the debate behind the scenes.

Real change is required to maintain the Australian tertiary sector’s international reputation and attractiveness to foreign and domestic students. Anglo-centric nations such as Great Britain, the USA, Australia, New Zealand, and Canada benefit from good tertiary education systems. Eight Australian universities still rank in the world’s top 200, according to the Shanghai Jiao Tong index, and given there are 11,000 in the world, this ranks as a major achievement. However, the sector faces increasing international competition. Five years ago there were no Chinese universities in the Shanghai Jiao Tong index, which the Chinese established to identify the attributes of successful institutions to replicate. China now has six in the top 200 themselves.

Generating $15 billion every year, education is Australia’s third largest export industry after iron ore and coal. Gold exports rank fourth, with tourism and agriculture less important than is commonly assumed. Education is therefore a vitally important part of the economy, quite apart from the enormous contribution it makes to society, the workforce and the nation. The Australian Government has embarked on significant micro-economic reform in the sector. While it has a range of other important policies, from making health and welfare sustainable to abolishing the mining and carbon taxes, the education reforms are the most significant of their type in the budget and the most sweeping change in the sector since the Dawkins reforms.

The Government is granting universities the autonomy they need to make their own decisions. By reducing regulation and reporting requirements and handing more power to vice chancellors, universities will be freed to concentrate on their strengths and improve the quality and diversity of their output. Students will make a greater contribution to their education, while the deregulation of fees will allow a more realistic valuation to be placed on degrees. Instead of the tax payer and student paying exactly the same fees for a course at one university as they would at a very different one, variations in cost will more fairly reflect their comparative value in the job market.
Deregulation will reduce wasteful duplication, allowing universities to drop courses they run only to generate funding and to concentrate on their specialities. There is no need for all 39 universities to each run their own nursing school, teacher training college and law degrees. The days when any law degree guaranteed a job are over; only around 20% of Adelaide law graduates found relevant employment last year. There is a similar glut of teachers, with thousands unemployed in NSW alone. Universities continue to churn out as many students as they can in these professions because the courses are relatively cheap to deliver and generate significant and predictable income.

However, students are misled into thinking such courses guarantee a career and, because every course costs the same, that every degree has the same allure for an employer. This breeds mediocrity rather than excellence, unemployment rather than employment and strips the public purse rather than boosting national productivity. Rather than maximise their income by producing as many graduates as possible without heed of whether they will find suitable jobs, the universities will be allowed to charge more for more prestigious courses and either cut fees for less attractive ones or drop them altogether.

The most prestigious degrees at the top universities should command a premium, be it marine biology at James Cook University or a law degree at Melbourne or Sydney. Students should not be misled into believing a degree similar in name but not in quality from different institutions will prove equally attractive on the job market. Social justice is served when students are charged a fair price for their course and cover more of its cost themselves, as they will be reaping its benefits.

Students should make a higher contribution to their fees because graduates earn an average of 75% more than people without a degree and suffer unemployment rates of just 2 to 3%. They also enjoy better health outcomes and have longer life expectancy. Over 60% of the Australian population do not have a degree and yet they pay 60% of the costs of higher education. The reforms will establish a more equitable 50-50 average split between student and public funding, and the more the public understands the true situation, the less opposition to the reforms there will be.

Far from limiting opportunities for young Australians in tertiary education, the reforms will increase them. The aim is to improve the education system, not degrade it, and far from cutting costs, higher education will cost the taxpayer an additional $950 million over the next four years. The Commonwealth Grants Scheme is expanding its student subsidy to
non-university higher education providers to intensify competition and prevent established universities charging students excessively. Universities will be forced to improve their standards and cut their costs to compete against new entrants as well as each other, and this can only benefit their students.

The Minister welcomed Labor’s system of demand-driven undergraduate courses, but criticised the previous Government’s failure to attach a value to these degrees. The Coalition’s legislation will extend the demand-driven system to the sub-bachelor diplomas and associate degrees often studied by first-generation university attendees and adults seeking new skills in a fast-changing economy. The resulting expansion of student numbers will again increase costs to the public purse, but the Kemp Norton Review showed that study for such qualifications massively reduces dropout rates for students going on to study at university. Students with sub-bachelor diplomas also achieved better results in subsequent bachelor degrees than year 12 students who went straight to university.

The Government is also abolishing the 20% fee on student loans previously imposed on vet students and the 25% fee for students in private higher education institutions. It is also launching a web portal to offer students the information they need to make informed choices and so make the market work better.

To ensure that bright students from disadvantaged backgrounds have access to the opportunities their talents deserve, the Government is establishing the largest Commonwealth scholarships scheme in Australia’s history. One in every five dollars that a university generates in extra revenue will be earmarked for merit-based scholarships for poorer students. Although some academics argue that such students should attend their local university, Mr Pyne argued they should be able to choose the best courses for them in the country.

Rather than second guess the decisions of vice chancellors or artificially engineer the survival of institutions or campuses, the Government will give universities the freedom and students the information they need to make the education market work. Consumers of education will decide where to put their – and the tax payers’ – money, seeking and encouraging excellence throughout the system. This will both strengthen Australian universities in the face of increased competition for overseas students from Asia and elsewhere and liberate them to focus on teaching or research as they prefer.

Minister Pyne told attendees how the Vice Chancellor of the Central Queensland University had embraced the new opportunities. The University can now attract students from metropolitan areas, including with bursaries and offers of extra tutoring, as well as the attractions of the warm climate and relaxed lifestyle. This is but one example of a burgeoning competitiveness spirit and thinking in the sector. No longer forced by regulation to offer the same service at the same price, universities will compete on price and specialise in their strengths, while reducing the oversupply of some courses.

The Minister stressed his determination to pass the legislation and his commitment to reintroduce it in 2015 if it is blocked by the Senate this year. Although some amendments may be necessary to secure majority support, he was confident that support from cross-benchers and education stakeholders would ensure its success.
QUESTION & ANSWER

Asked from the floor why there was opposition to the scheme, Minister Pyne said many objections to the education reforms were born of general political opposition to the Government, rather than evidence-based objections to the specific policies. Most students have little idea what the reforms actually entail and, when reassured that the education loan programme has been extended rather than abolished, have no objections. Students know they can repay the loan at low interest rates once their studies have secured them a job.

Some Senators would prefer to use the consumer price index to index student loans, rather than the ten-year government bond rate.

One of the debate’s great achievements is that thirty eight vice chancellors acknowledge the need for reform, although some disagree about details. Some vice chancellors would prefer to ‘socialise’ the Commonwealth scholarships fund to increase the benefit for regional and rural universities over the Group of Eight, for example, but this is a negotiation over terms, rather than a philosophical objection.

Certain vice chancellors who borrowed heavily to fund new campuses to maximise student numbers – and therefore income – under the previous arrangements are anxious about their immediate financial impact, but the Government is willing to discuss transitional arrangements towards reform. The Government does not seek the closure of any university, not least because these institutions have obligations of service to their local community. Many run satellite campuses which would not be viable as independent entities and so offer higher education in areas which would otherwise have none.

An older attendee agreed that many law schools were superfluous, but joked that his generation would soon be in need of nursing care and asked how universities could be encouraged to address community needs.

Minister Pyne expressed confidence that job market — and therefore student — demand would ensure universities offer sufficient courses to meet national needs. If there is demand for nurses, then some universities will maintain and expand their nursing provision, while perhaps closing their superfluous law schools. Others in turn may close their nursing schools to concentrate on their strengths in, say, agriculture, engineering or medicine. The glut of teaching courses and graduates, compared to the number of jobs, will see some teaching colleges close or specialise in areas of shortage, such as languages, sciences, physics and mathematics.

Many school principals complain that new teaching graduates are not prepared for the practical rigours of the job and require a good deal of professional development in their initial post. Universities may address this to make their courses more attractive to employers and therefore students. Just as an informed free market allocates resources efficiently in other sectors, so it will in tertiary education.
The Minister acknowledged the importance of public investment in university research, noting that $11 billion of tax payers’ money will be allocated to this end over the next four years. He accepted that such research would not be funded by the market and, as Australia has been a ‘government country’ since 1788, the public purse will retain a significant role. Although major private donations were made to Australian institutions in the early years of settlement, there has been little tradition of large philanthropic donations to Australian universities since then. While some progress has been made in recent years thanks to Westpac, the Forrest family and others, Australian donations are dwarfed by those enjoyed by American institutions, and the public purse will always be called upon here. Minister Pyne hoped universities will be so commercially successful in the future that rather than close down their undersubscribed classics courses, they will expand them for the public good, despite their lack of economic relevance.

The next speaker asked how else an informed market could be created to allow students to make the right choices and wondered if the Government is willing to challenge the community preoccupation with student numbers to focus on course quality.

Minister Pyne said his reforms will fund an additional 80,000 students a year in four years’ time, the expansion of demand-driven courses and Commonwealth supported places with non-university providers. However, although the media remains obsessed by raw numbers, the quality of outcomes is paramount. Despite anecdotal evidence to the contrary, the Kemp Norton Review showed the demand-driven course system had improved universities’ economic relevance without impinging on their quality. The reforms will enhance the international reputation of Australian education and research, retaining the interest of both foreign and domestic students who would otherwise exploit their increasing mobility to study elsewhere.

He agreed that market reforms in education rely on good and freely available information to succeed. The Government is therefore establishing the QUILT — Quality Indicators of Learning and Teaching — web portal over the next twelve months to inform prospective students’ decision making. It will aggregate data and surveys regarding student satisfaction, academic viewpoints and employer feedback, as well as short- and long-term job and income prospects, to help them choose the best course for their needs. Courses which prove attractive to employers and lucrative to students will thrive, while unsuccessful courses will wither, because employability is the major factor motivating student choice. Although both institutions charge the same today, it is unfair to pretend that a law degree from one university and another carry the same weight with prospective employers. Students of the future will have access to hard figures on their value and universities should set their fees accordingly.

Prospective students empowered to make informed course choices will compel universities to improve their products to attract their interest and funds.

Lisa Middlebrook thanked the Minister for his address and taking the time to field questions. She then invited the Hon. Philip Ruddock MP to chair the morning