

APPENDIX 5

UNIVERSITIES IN CRISIS - CORRESPONDENCE AND MEMOS



The Hon. Dr David Kemp MP
Minister for Education, Training and Youth Affairs

Prof Ian Chubb
President
Australian Vice-Chancellors' Committee
GPO Box 1142
Canberra ACT 2600

Dear Prof Chubb

I am writing to express my serious concern at the newly announced position of the Australian Vice-Chancellors' Committee that Australian universities are in crisis. When asked by Senator Kim Carr at the Senate Committee hearing on 17 July whether you believed the universities were in crisis you answered "Yes".

My concern arises from two sources. One is that the assessment is patently incorrect, devaluing the excellent performance of the great majority of institutions in the sector. Secondly, the AVCC's assertion has a very real potential to damage the standing of Australian universities both domestically and internationally.

I remind you that this new position runs directly counter to what was said to me at the recent dinner meeting with the Executive of the AVCC. It is not just that the claim was not made on that occasion, but it was the clear view of a number of those attending that such a claim would be wrong and damaging to make. It is one thing for universities to seek more funding from the government, it is quite another to claim that the sector is in crisis.

I am bound to draw your attention to several important facts. Firstly, the revenues of the sector from all sources are at an all time high at an estimated \$9.5 billion this year, some \$1.2 billion higher than in 1995. You will be aware that, according to the latest OECD statistics Australia's combined public and private investment in tertiary education is 1.59% of GDP, higher than the OECD average of 1.33%, and higher than in the United Kingdom or Germany.

Secondly, I note you also made the claim of a "precipitous" decline in public funding for higher education since 1996. This is simply false. Payments to universities under the HEFA have remained stable in real terms over 1996-2001 both in total payments to universities at some \$5.85 billion and payments per fully funded student place at some \$12,000. The fact that students are contributing a share of the costs does not affect the level of payments the universities receive for the places they have agreed with the Commonwealth to provide.

Thirdly, as measured by the Course Experience Questionnaire, the satisfaction of graduates with their university experience, at 91%, has never been higher.

Fourthly, staff student ratios on standard international definitions are still below the OECD average.

Fifthly, the attractiveness of the Australian universities to overseas students in the highly competitive international marketplace has never been greater, and continues to grow at a high rate.

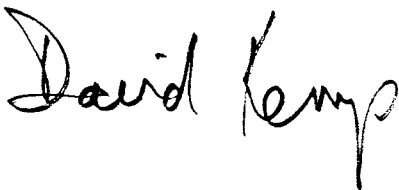
Finally, the Government's innovation statement, *Backing Australia's Ability*, will be delivering an additional \$1.47 billion directly to universities to support research and its underpinning infrastructure and additional fully funded places, together with substantially expanded opportunities through the Postgraduate Education Loans Scheme. PELS will provide an estimated further \$995 million in loans support over the next five years. It is estimated that some 240,000 students will take advantage of the scheme over the next five years. I am sure you share my concern that the Labor Party and the Democrats recently combined in the Senate to defeat the legislation by splitting the Bill establishing this important scheme, though I note that the AVCC has made no public statement of concern. The Government will introduce new legislation to establish the scheme, which I trust will have the AVCC's support.

Universities will also be significant beneficiaries of other elements of *Backing Australia's Ability* that provide funding to assist in the commercialisation of research through the industry and science portfolio.

In short, these facts portray a university sector that is performing at a high level in a context of expanding opportunities. We must all work to ensure that the quality of the sector continues to be recognised. Australian universities are entitled to have their achievements properly acknowledged, and this will be aided by avoiding misleading and damaging characterisations of the sector.

I have copied this letter to other Vice-Chancellors.

Yours sincerely

A handwritten signature in black ink that reads "David Kemp". The signature is written in a cursive, flowing style with a large initial 'D' and 'K'.

DAVID KEMP

20-7-2001

IS THE UNIVERSITY SYSTEM IN CRISIS: A BIT OF PERSPECTIVE

I was asked at the Senate hearings whether the higher education SYSTEM was in crisis – not whether each and every university was in crisis. I answered 'yes' after explaining that it was not a word that I used very often, but that I couldn't *easily think of another word*. Dr Kemp promptly wrote to me to express his irritation and copied the letter to all my colleagues. Mr Gallagher suggested to the same Senate Committee that Vice-Chancellors who said such things were simply *looking for an easy way out* and not facing up to their *management responsibilities*.

Why would I answer that way?

During the 1980's efficiency dividends and the like resulted, in broad terms, in a drop in the \$ per full-time equivalent student of around 15%. The impact of this steady decline in the funding per student was identified in the mid-1990's by Senator Robert Hill¹ when he spoke in the Senate of *the funding crisis in higher education and the deteriorating quality of education in this country as a result*. He went on: *over the period of this Labor government, public funding has in fact decreased by about 15%....Australian universities are disturbed by the fact that they are having huge class sizes – over 500 students per class. Students are sitting in the aisles. They are distressed that the whole tutorial system is breaking down because there are simply too many students per tutor....libraries cannot cope...the quality of particularly undergraduate first degrees is deteriorating....the government has not faced up to its responsibilities...it is its policies that have resulted in this crisis in higher education*. The line was continued by Dr. Kemp²: *Whatever the government's rhetorical commitment to a higher education system of high quality, excellence....it is quite clear that it is not the reality at all...the research infrastructure with which they (postgraduate research students) have to deal is in crisis*. And, quoting Professor Alan Gilbert (now Vice-Chancellor of the University of Melbourne)²: *the essential truth....is that all Australian universities are precariously placed and precariously funded. ...where does our best university rank among the world's higher education institutions. Perhaps it scrapes into the first 50 – perhaps, perhaps not....dare we risk negotiating the 21st century without even a place at the table of world-class intellectual and cultural discourse*.

Out of all that came a coalition policy released just before the 1996 election - it was one broadly endorsed by the sector. It had identified the problems and proposed solutions. Unfortunately, it was not fully implemented. And public investment was cut by a further 6%.

By 1999 things apparently had not got better. Dr Kemp wrote³: *already eight institutions appear to be operating at a deficit and some regional campuses are at risk...higher student:staff ratios, less frequent lecture and tutorial contact, the persistence of outdated technology and gaps in key areas of professional preparation (including practical skills development) are fuelling a perception of declining quality*.

Have things improved since 1995?

Consider:

- Yet higher student: staff ratios - up from 14.6 to 18.8 (28.8%) since 1995;
- Inability to get adequate numbers of staff in some areas e.g. IT, leading to student:staff ratios at the extreme of around 50 in some places;
- Alarming and recent decline in the number of academic staff in key areas: chemistry: down 23% since 1995; physics down 29% since 1994; mathematics down 24% between 1995 and 1999 (to be published);
- The erosion of the basic infrastructure – impact of exchange rates and the real cost of staff and up to date equipment and resources that outpace indexation levels;

¹ Senate Hansard, 23 March 1995

² House Hansard, 20 September 1995

³ Cabinet Submission, October 1999

- Poorer library holdings and acquisitions. 80-90% of information is imported. At an exchange rate of 60c per \$US, library expenditure at The University of Sydney ranked 53rd when benchmarked against 111 US university libraries⁴ while at the exchange rate closer to present values (say, 51c), it now ranks at 69 of the 111;
- Decline in purchasing power of grants – Gerald Burke (Monash) has advised that the real purchasing power of grants has declined by approximately 4% between 1996 and 2000;
- The *huge* class sizes and large tutorial groups persist;
- Casualisation. Between 1998 and 2000, 78% of job growth in higher education was in casual staff positions. While essential, the impact on quality of the educational environment can be profound;
- International comparisons are poor and getting worse – very substantial government investment by many other (comparator) countries into base grants as well as support for R&D, research professorships;
- Analysis of OECD research and development expenditure shows the gap between Australia and the average of OECD countries would require about \$13.5 billion over 5 years to get us to that average (Group of Eight).

Add in:

- That academic salary purchasing power is down: at senior levels, there has been a drop of around 25% in salary purchasing power whether measured against AWE, CPI or male professionals over the 20 years up to the mid-1990's (from Chapman);
- Low morale amongst many staff;
- The imminent round FOUR of Enterprise Bargaining with still no sign of better indexation.

I do not know the circumstances of each and every university and these various factors will have a differential impact around the sector. I have a view, however, on what it all adds up to as a sector, and the direction of the sector's movement since 1995.

Professor Gilbert has recently revised his earlier position. He now says⁵ that Australia's best universities: *are not among the world's top 75 universities and probably not among the top 100. Their capacity to invest in world-class research and teaching infrastructure cannot at present match that of the top 100 universities in the United States and lags well behind that of the best East Asian and European universities.*

I leave you to draw your conclusions.

Ian Chubb

⁴ John Shipp. National Scholarly Communication Forum, Sydney, 2000.

⁵ *The Age* page 4, 27/7/2001

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20 August 2001

Dear Council Members,

I refer to my email of last Friday. There are, of course, some differences of opinion about what has happened in higher education in recent times. My email listed some views which led me to respond 'yes' when asked a specific question at the Sydney hearing of the Senate inquiry on 17 July, 2001. Given that this is now an active issue again, and given comments that were made at the Canberra hearing, you might find it useful, and fairer, to have some of the other views.

I now attach the relevant comments from Dr. Kemp in a letter to me dated 20 July, 2001. These are in **bold**. The other comments are drawn from a response drafted by the AVCC secretariat. I have added these because they offer some interpretation. They also reveal how information can be differently interpreted depending on the perspective.

I do not intend to flood you with emails about all this; but the issues here have been revived by the comments made last week - and I fear that they will not go away for a while.

"Firstly, the revenues of the sector from all sources are at an all time high at an estimated \$9.5 billion this year, some \$1.2 billion higher than in 1995."

- We do not have revenue figures for 2001. Total income in 1995 was \$8.4 billion and had risen to \$9.1 billion by 1999.
- The basic claim of rising total income is true. Most of the increase has come from fee-paying students - whether HECS or other fees. We argue that government support for base operating funding has declined. And, depending on what price deflators are used, that there has been a drop in purchasing power.

| | 1995 | | 1999 | |
|---------------------------------------------|-------------|------------|-------------|------------|
| | \$m | % | \$m | % |
| Federal Teaching Funding | 4383 | 52 | 3341 | 37 |
| Federal Research Funding | 761 | 9 | 923 | 10 |
| HECS Receipts | 1011 | 12 | 1728 | 19 |
| Fee Paying Students | 577 | 7 | 1045 | 12 |
| State and Local Government Research Funding | 60 | 1 | 80 | 1 |
| Industry and Other Research Funding | 240 | 3 | 307 | 3 |
| Other Fees and Charges | 418 | 5 | 498 | 5 |
| Other Income | 996 | 12 | 1155 | 13 |
| Total | 8447 | 100 | 9077 | 100 |

Price Levels: 2001 Constant Prices
Sources: Higher Education Funding Reports, DETYA
Selected Higher Education Finance Statistics, DETYA
DETYA Higher Education Research Data Collection

"You will be aware that, according to the latest OECD statistics Australia's combined public and private investment in tertiary education is 1.59% of GDP, higher than the OECD average of 1.33%, and higher than in the United Kingdom or Germany."

- These equate with Table B2.1c of OECD *Education at a Glance 2001*.
- In *Education 2001*, Table B4.1 "Total Public Expenditure on Education (% of GDP)" In this Table, Australia is at 1.2%, the OECD country average at 1.3% (ie higher), and Germany and UK both at 1.1%. Canada, US, Scandinavia and some others are higher than Australia.
- In section B3 - the balance of public and private investment - Australia stands out as having a high proportion of private investment in higher education; the fourth highest overall with 43.9% from private sources against an OECD average of 22.7%.

"Secondly, I note you also made the claim of a "precipitous" decline in public funding for higher education since 1996. This is simply false. Payments to universities under the HEFA have remained stable in real terms over 1996-2001 both in total payments to universities at some \$5.85 billion and payments per fully funded student place at some \$12,000. The fact that students are contributing a share of the costs does not affect the level of payments the universities receive for the places they have agreed with the Commonwealth to provide."

- The comment was made after an explanation of what had happened since 1983: *since 1983 the number of dollars per full-time equivalent student has been in steady decline. The evidence for that is unequivocal. Then there was a more precipitous fall in 1996. This referred to the 6% cut announced in 1996. This was not a decline in per EFTSU funding but a real cut to the actual funding level of some universities that had no or little growth in the forward estimates.*
- Overall funding has, indeed, been static since 1996, although for individual universities the picture has varied. The problem is that the cost drivers of effective university education have risen - salaries, information resources.

"Thirdly, as measured by the Course Experience Questionnaire, the satisfaction of graduates with their university experience, at 91 %, has never been higher."

- 1999 CEQ Report has 67% for overall satisfaction. To achieve a figure like 91% requires inclusion of response 3 (the middle response: neither clearly happy nor clearly not). We understand 91% refers to all students, including international students.

"Fourthly, staff student ratios on standard international definitions are still below the OECD average."

- The key words are "on standard international definitions". These seem to involve inclusion of research only staff and a standard conversion from part time to full time.