Australian government prepares to further de-regulate higher education system

By Erika Zimmer
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A series of widely reported leaks to the Australian media in the lead up to the May federal budget signal that the Howard government plans to escalate its privatisation agenda in tertiary education.

According to the reports, cabinet recently approved Education Minister Brendan Nelson's reform package, the outcome of his yearlong review, *Higher Education at the Crossroad.*

The review was established following the dumping of Nelson's predecessor, David Kemp, after his blatantly pro-market blueprint for higher education led to widespread public outrage prior to the 2001 elections.

However, representatives of Australian big business, including media mogul Rupert Murdoch and Reserve Bank Governor Ian Macfarlane, immediately put the third-term Howard government on notice that they considered higher education "reform" a crucial component of the government's domestic agenda. While insisting that the government accelerate its cuts to social spending, they demanded a higher education system able to compete in the "21st century knowledge economy." Market mechanisms, they argued had to be further introduced, that would produce a few, "world-class" universities instead of the existing broadly based structure.

While Nelson has distanced himself from Kemp, claiming to be more open to consultation, his recommendations restore Kemp's agenda, accelerating pro-market policies and further shifting the burden of higher education costs onto students.

The unconfirmed recommendations permit universities to partially de-regulate course fees. Universities could increase by up to 25 percent charges levied under the government subsidised student loan scheme, Higher Education Contribution Scheme (HECS). Currently there are three levels of HECS charges set by the government, ranging from $3,680 annually for an arts degree to $6,136 for medicine. These fees, representing 34 percent of the cost of degrees, are repayable when students' income reaches a stipulated amount.

The Nelson reforms would also allow universities to double the number of places allocated to full-fee paying Australian undergraduates, from 25 percent to 50 percent, i.e., half of the total places. Course costs for full fee-paying Australian students, now already between $12,000 and $25,000 annually, place a university education well out of the reach of the vast majority of families.

Another of Nelson's recommendations seeks to financially penalise students who are slow to pass courses or who fail to complete their degrees on time. According to the leaked reports, universities will be allocated $20 million to set up a computer monitoring system to track students' academic career and loan history. Students who fail to keep up would have their government subsidies cut.

Taken together Nelson's proposals constitute another major step towards a market based higher education system in which entry to university is determined by one's ability to pay.

Australia's higher education system has undergone a fundamental reversal over the last 15 years. Since 1987, when the Hawke Labor government reintroduced undergraduate fees, successive Labor and Liberal governments have continued to overturn the principle of equal educational opportunity. Initially, when university fees were reintroduced, it was claimed they would be used to fund an expansion of university places. Students were charged a flat rate of $1,800, representing 20 percent of course costs. It was not long, however, before fees were increased, differential course costs introduced and the "expansion" claim junked.

Over the last decade and a half, conditions in universities for students and teachers alike have rapidly deteriorated. In a recent study of student-staff ratios for OECD nations, Australian universities ranked near the bottom, at 20 out of 23 countries. Australia had 18.8 students per teacher compared with a mean for all 23 OECD countries of 12.5. Some Australian universities have even higher ratios. In its submission to the *Crossroads* review, the National Union of Students (NUS) reported that staff cuts at Flinders University in South Australia had produced student-staff ratios of 29:1.

Another indicator of worsening conditions is overcrowding, with frequent reports of students without seats spilling out into the corridors. Universities have been over-enrolling at an average of 30,000 a year in order to offset reduced government funding. In their submission to the Nelson review, the vice-chancellors' submission complained that, "Overcrowded lecture theatres and tutorials are a constant concern."

To further cut costs, universities have reduced the courses on offer. The NUS submission reports that the Northern Territory University, "no longer teaches English Literature and Philosophy, barely provides Engineering, Mathematics, and has virtually abandoned Anthropology, Political Theory and Physics."

At the same time as students' and teachers' learning and working conditions have been eroded, fees have risen sharply. A Productivity Commission report released last month brought to light the extent to which university operations have become dependent on student fees. According to the report, Australian university undergraduates now contribute a higher share of overall university revenue than in other comparable countries. For example, while students in Canada contribute 17 percent of university revenues and students in the US 19 percent, fees paid by Australian students make up around 35 percent of university income.

For students this has meant ever-higher levels of debt, currently at $9 billion and expected to increase to $11 billion by 2005. A study conducted by the Australian National University estimated that at the present rate of student fees, the average male student will be 33.8-years-old by the time he has paid off his student debt, while females will be aged 39.3 years. The study reported that up to a third of women will reach retirement age with their study debt never fully paid off.

Some indication of the effect of Nelson's planned fee increases can be gauged by conditions already existing in New Zealand. While New Zealand's domestic university students do not pay full fees for their degrees, a de-regulated student loan scheme operates. A recent study estimated that the average male student debt takes 14 years to repay while the average female student will take 28 years, a period representing a significant portion of her working life.

While student fees as a percentage of university revenue have soared, Australian government spending as a proportion of GDP has fallen, from 1.5 percent of GDP in 1995 to 1.2 percent in 1999. In their submission to Nelson's review, university vice-chancellors from the Group of Eight, Australia's leading universities, wrote, "Between 1988 and 2002 net government outlays per planned student place fell by 19 percent in real terms... for every extra dollar students put in through HECS, a dollar was withdrawn from the public subsidy."

At the same time as it has withdrawn from the public funding of education, the government has introduced a range of measures which benefit better-off students. For example, students paying up-front fees are already permitted to enrol with university admission scores up to five points lower than those of other students. Those able to pay their HECS fees up-front have their loans reduced by 25 percent, while those making a payment of $500 or more attract a discount of 15 percent.

Nelson's reforms will continue to benefit the more affluent. For the first time commonwealth loans will be available to undergraduate students at private universities or colleges. Post-graduate students at the Bond and Notre Dame universities, among others, were granted access to government loan schemes last year. Nelson's plans also introduce a government-financed scheme for full-fee paying students, expected to be repaid at market interest rates.

Not only will Nelson's measures prevent growing numbers of students from gaining access to higher education, they are expected to fundamentally alter the structure of Australia's university system. The existing structure—38 universities offering a range of different courses—has repeatedly been denigrated in the media as a "one-size-fits-all" system producing "mediocrity."

Nelson recently told the *Sydney Morning Herald* that the present funding structure was a "prescription for mediocrity." "People have to understand," he said, "that you cannot fund and administer and regulate the University of NSW or Sydney University (two of Australia's leading universities) in exactly the same way as ...the non-research-intensive regional universities and expect a system-wide and universal standard of excellence that meets international standards." Nelson's blueprint is expected to reward elite universities at the expense of those already struggling. While the minister denies it will lead to the closure of universities, this will be the inevitable outcome of his "reforms."

The prospect of Australia's universities being further stratified has been welcomed by sections of big business. A recent editorial in the *Australian Financial Review* wrote approvingly of Nelson's measures, "[A]llowing universities to use price signals as well as quality and prestige to influence demand and supply should increase the incentive for individual institutions to play to their strengths and address weaknesses by fixing them or walking away."

The substantial gap between the resources available to the older established universities and those in working-class and rural regions will further widen. Already, in one instance reported in the Productivity Report, the University of Queensland receives 124 percent more revenue than that received by the University of Western Sydney located in Sydney's working-class suburbs.

Little, if any, new funding for universities is expected in this year's budget, despite predictions from university vice-chancellors that the sector would not be able to remain solvent without a $1.1 billion injection of funds over the next five years. Instead, Federal Treasurer Peter Costello has issued warnings that with war in Iraq underway, defence spending heads the Australian government's list of budgetary priorities.