



Speech to the University Governance and Regulations Forum, Canberra

14 September, 2017

Good morning.

Thank you for your invitation to speak, and it's good to be here with you.

Given Parliament this week, I hope you will give me some latitude with my speech content.

I know when you invited me, that you would have had no idea what a precipitous week it would be for the future financial health of Australia's higher education sector as legislation that seeks the passage of the worst funding cuts to the sector in some 20 years is being debated.

I certainly know, that when I accepted your invitation, I had no idea that I would be standing here not just as Chief Executive of the Group of Eight, but as someone who has worked in the sector for 17 years, and publicly admitting that I am absolutely at a loss.

I am at a loss about what our current Government wants and expects from our sector.

I am at a loss about why this Government, which just two years ago, and with a new Prime Minister, was supposedly **committed – as a priority - to** everything our sector stands for; is now, instead, working **against the success** of everything we stand for.

I mention here the priority of the nation's innovation process of which we are the core, and industry engagement and the education of future generations capable and confident of working in the new knowledge economy we must embrace.

I am at a loss about why we are dealing with a Government that is seeking to financially cripple us.

I am at a loss as to why, what is arguably the most highly educated Federal Cabinet in Australia's history, views our sector - which by the way, delivers the Budget more than \$22 billion a year as the nation's third largest export sector

.....as an easy target for Budget cuts - instead of a sector to support, so that we in turn can continue to support and grow the economy and, most importantly, our students.

I am at a loss as to why this Government sees us as a burden to be slashed and not an investment to be encouraged.

The sector is currently unified against harsh and unjust legislation that has me saying - more in sorrow than in anger - that - with the greatest respect to the office of Minister of Education in Australia's Federal Cabinet...



'Minister please take the long view, and the right view.

We ask that he understand, that should his legislation pass the Senate, the Minister would then be left administering a financially-crippled sector, a sector that had indeed reached the financial tipping point.

It is no political win for him, when his political legacy will be only that he presided over the decimation of the nation's third largest export sector, and the handing over to China and other Asian nations of Australia's proud and prestige position of high global university rankings.

Please do not take my word for it.

Listen to the words of fiercely independent *Times Higher Education* global director Phil Baty.

In announcing the latest *Times Higher Education* global rankings last week, Mr Baty publicly gave Australia the equivalent of a Moody's ratings agency warning.

To quote:

"It is easy to talk about efficiency savings and making cuts without hurting quality, but it takes money and lots of it to remain world class.

"You need serious investment to maintain the research infrastructure and, perhaps most importantly, to attract and retain top global talent.

"It is not hard to see leading Australian scholars leaving Australia for pastures new if they can get better terms and conditions, and better laboratory equipment for example elsewhere. Money talks."

After some \$3.9 billion cuts already in Government funding since 2011, Mr Baty also pointed out that our problems had already begun.

In 2017 he is saying - warning - that this is actuality, it is not a maybe.

He said: *"Australia's leading institutions are already falling behind peers in mainland China and Hong Kong, which receive high and sustained levels of State funding. Funding cuts proposed by the (Australian) Government could seriously harm the country's institutions in further editions of the rankings."*

Mr Baty set out that TSINGHUA University had overtaken Australia's top ranked university the University of Melbourne.

The Hong Kong University of Science and Technology had overtaken ANU, and the Chinese University of Hong Kong had overtaken Sydney, Queensland and Monash.

Take a few seconds to ponder that.



At the very least the feeling left is one of discomfort at what the future holds for our sector and our students under this Government.

And I doubt there is anyone in our sector who would just shrug their shoulders and not care. We are a sector of people passionate about what we do, as educators and researchers.

And we do all have great pride that we - as a well-governed sector - at the moment – still punch above our weight in global rankings.

Indeed people are still marvelling at a country of 24 million people placing number three globally for the number of universities in the global top 100 behind only the US and England respectively.

Yet, metaphorically we have had a Government and Minister seemingly shrug their shoulders and not care.

On Tuesday we heard the first Government speaker in the House of Representatives at the resumption of debate dismiss our concerns as “nonsense”.

Nothing could be further from the truth.

And the facts have indeed been a casualty of this on-going debate.

Interestingly, a fact I find does surprise almost everyone outside of the sector whom I speak with, is that it has been quite a few years since Australia’s leading research Universities have been majority-funded by Government; by the taxpayer.

In the same way that most people outside of the sector are not aware of the fact that Australia’s university students already pay a far greater proportion of their University tuition than is the case in other Western nations, some as much as 80 per cent.

....so too is there an ingrained view that the taxpayer almost totally funds Australia’s Universities.

They don’t.

In fact, leading Australian universities are - on average - only some 40 per cent Federally funded.

It may shock some of you to know that *only 23 per cent of the University of Melbourne’s income is directly guaranteed by the Federal Government.*

And the Federal Government’s share of total income at the University of Sydney – excluding HECS - is just 33%.

This funding misconception has enabled the Government to look as if it is cutting small amounts from almost 100 per cent funding..... and so why are we complaining?



...rather than the truth, which is that this Government will be cutting far larger percentages of already less than 50 per cent funding.

Again there is no need to take my word as gospel. I can recommend to you the latest OECD report *Education at a Glance 2017* which was released on Tuesday of this week.

It confirms that Australia's level of government investment in tertiary education is amongst the lowest in the OECD as a percentage of GDP, with student fees among the highest.

If this legislative package is not stopped, the fact is, we stand to lose \$3.8 billion over 5 years. And there is almost another \$4 billion of cuts on top of that with the abolition of the Education Infrastructure Fund should that Bill be passed.

It is unconscionable.

But when we have attempted as a sector, to enter into any rational debate and discussion with Government, we have been faced with a wall of alternative facts.

Be aware, as representatives of our sector here today, that everything you have heard in the media from the sector, about there being no sector consultation before this legislative package was announced, is, sadly, true.

That is of course unless this Government works to a dictionary that contains a different definition of the word consultation.

Maybe consultation now means only a submission process?

Maybe consultation now means an expert panel that did not meet very often nor consulted us, nor reported publicly?

Maybe consultation is just claiming you have consulted, when it should mean you have met with, and spoken with formally, and sought solutions and outcomes with?

Of course, maybe consultation is giving the media access to reports the sector has not seen and has no time to see at the very last minute, nor digest, before appearing in front of a Senate Committee.

I am positive I am drawing a clear image for you that this past few months has been so totally unedifying.

Let me set the climate for you with just a selection of the Government's alternative facts that the sector has had to contend with:

The big one I have already mentioned being:

That:

‘Taxpayers foot the bill for around 58 per cent of university revenue so VCs and governing councils should be asking themselves whether their remuneration schemes meet the expectations of students, staff and everyday Australians’.

The reality is, that in 2015 (the last year of reporting available) the Go8, on average received only 40 per cent of their revenue from Commonwealth Government Grants.

And I will here, that the Go8 has stated very clearly that we are more than happy to discuss VC salaries in another forum and in the context of the size and value of the organisations they run; not as part of a highly personalised attack, used as a diversion from the Government cutting university budgets and making students pay more.

And I would also point out that just .06 per cent of Go8 revenues in 2016 went to VC salaries - that is 6 cents in every \$100 of revenue

Then we have that:

‘Since around 2009, unis have seen revenue growth of 70 per cent’

No. In fact student funding per place has not increased over this period. Any increase in total funding has come from the increase in student numbers.

Plus we have heard that :

‘Unis have seen revenue grow at about 15 per cent compared with costs growing at 9 per cent.

No. Not true.

Any apparent increase in university funding per place is solely due to annual indexation to keep up with CPI.

These are not real increases.

In fact, as I am sure many of you here today know, the value of ‘base funding’ per student is approximately the same as it was **20 years ago**.

This is despite strong recommendations from the past two major reviews carried out by Denise Bradley and Jane Lomax-Smith that per student funding rates be lifted, at least for some disciplines.

In the midst of all this, we get the old chestnut trotted out by the Minister that ‘Unis are granting excessive salary increases’.

Again - simply not true and a very good example of where people in glass houses should really not throw stones.

Yes. Universities are currently negotiating enterprise agreements but with annual increases generally of 2 per cent. This is comparable with the current CPI at 1.9 per cent and on par with average wage growth of around 2.3 per cent.

In contrast, it is rumoured executives in the PMs office will be receiving pay increases of almost 6 per cent.

While the Minister's own department is getting 5.5 per cent over 3 years to 2019 with salary increments on top of that of, in some cases, over 15 per cent.

I am reliably informed that everyone gets those for satisfactory performance. Nice if you can get it.

Then we keep hearing the Minister say words to the effect (depending on the interview) that there will actually be 'funding growth' for universities of '23 per cent over the next four years', not cuts.

No, no and no.

Do alternative facts and 'fake news' spring to mind?

Because, the Government's own explanatory figures show that it is HELP loans – most of which will be paid back by students – that make up 87 per cent of that so-called growth.

In other words, if there is any increase, it will be paid by our students **not** from Government coffers.

This HELP increase assumes a substantial growth of 60,000 additional full-time equivalent students in the categories of permanent residents and New Zealand citizens starting university study (as FEE-HELP).

For the encore, we have also been dished up the regular fake news that '**Unis have large surpluses**'.

So many of you in the room today would understand why this one leaves the sector almost speechless with disbelief.

As you know we are all not-for-profit organisations.

Our operating margins are not profits.

Any difference between revenue and expenditure in any given year is reinvested by universities in their core activities of teaching, research, and community engagement.

Importantly, surpluses do not represent discretionary funds available to universities. These monies are often already committed to be spent on research or capital projects in future years.

Any money that isn't so committed, is increasingly needed to meet universities' maintenance and capital costs – especially as dedicated capital funding is no longer a significant component of Commonwealth support for universities.

It really has been an ugly few months.

And we don't live in a bubble but a global community which means we will be experiencing brand Australia health issues with our international markets because of the funding issues.

We as a nation are not sending a positive message overseas about commitment to quality higher education and I will come back to that vital point.

But first I would like to put on the table very clearly that we at the Go8 agree we need a rethink of current higher education policy settings.

We don't argue that reform is needed for our sector - but we do argue that this package is everything about government finding savings and nothing about reform.

The fact is, the post secondary education sector is ripe for reform.

It is critical to our future, economically and socially. But the Government has squibbed that opportunity with this package.

The next wave of reform must set universities on a sustainable course and it must address the elephant in the room - which is of course the demand driven system.

As Professor Glyn Davis Vice Chancellor of the University of Melbourne said just last week at the AFR conference -

To quote: *"This is the real issue: Commonwealth concern about the cost of the demand driven system. Canberra wanted more people go to university, but now baulks at the inevitable cost of growing student numbers."*

He went on to say that the current package of legislation comprises the cuts you make when you don't want to confront the underlying challenges of paying for the demand driven system.

So - if the Demand Driven System is unaffordable – let's call it for what it is and look at how we preserve equity and quality and contain overall spending.

Serious reform might consider the next stages of a demand driven system. The Government has squibbed that.

We also need to consider research. The group of universities I represent spends some \$6 billion a year on research - and yet we only receive research funding of \$2.5 billion.

That's a rather large funding gap to fill.

The fact is Australia does not support the full cost of university research, and whilst I am not advocating a blank cheque – unless we grasp the opportunity to reform the settings for research alongside those for teaching, our national capability in this area will shrink.

So - let's have a proper reform process - one that acknowledges that the funding system is broken and lets overlay the reform process with a green and white paper process - so that we have a robust and evidence-based discussion of the options.

But it has to be a real process and the Commonwealth will have to engage deeply and with passion.

As Professor Peter Hoj, Chair of the Group of Eight said recently, the capacity for systems thinking has been eroded at the altar of political expediency – our politicians must take responsibility for that and correct this. We stand ready to help!

And we then need to implement what is required - not ignore it.

And I must state here, that this is not about simply asking for more money - at no time during this debate has the Go8 suggested more money is solution - we do understand the fiscal constraints facing this and subsequent governments – but are still bemused that we were singled out for cuts!

The fact is the status quo at present - regardless of how deficient - is better than what is on offer in this package.

So - let me return to our International students who are right in the firing line.

I was asked to touch on the Go8's international markets by the conference organisers, and am happy to do so.

It is very relevant to the current legislative process.

One in three International students who choose to study onshore in Australia study at a Go8 university.

The reasons they choose the Go8 are quite simple.

They are chasing quality.

Internationally, families and education agents who assist students with their acceptance process into an Australian University look to world rankings as their quality assurance statement.



If we are to continue to attract international students our rankings have to stay high, which means as many of us in the world's top 100 as possible.

But do not be fooled, this assists all – much like Ivy league universities make America a desired destination for international students to study at non-Ivy league universities.

There are two questions that arise from that.. how we reach those high rankings, and also our reliance on the International student market.

They are inextricably linked.

But as I set out for you in the warnings from the Times Higher Education's Phil Baty, it takes a lot of funding to attain and then retain that required world-class research quality,

And at the moment, bluntly, we are not receiving that funding, and the Government is seeking to deliver even less.

We are in a difficult space.

Australia has a symbiotic relationship with its international student markets.

These students are full fee-paying which we need. We provide them with a high-quality education which they need.

But in 2017 this could be breaking down.

We cannot afford for this to happen, and to again refer you back to Phil Baty's comments, China already has a university that has leapfrogged our very best, the University of Melbourne.

Australia needs its full fee-paying international students to make up for the increasing Government shortfall in our revenue.

We use those fees to underwrite the costs of educating our domestic students because we lack the Government funds to do so properly

And vitally, those fees are also an imperative for funding our research in the face of low Government funding.

Round we go again in that vicious circle of course, to where it is our high-quality research and only that high-quality research, that delivers us our global rankings.

And make no mistake, quality international students will not choose Australia if they are encouraged to see a higher quality, higher ranked, education destination elsewhere.



This is especially relevant to the Chinese student market.

They could, in the future, very easily choose to 'stay home'.

In fact last week the media spoke with a Chinese student who had been accepted to study in Australia but having seen the quality of a local institution has stayed home.

The Go8 educates more than 50 per cent of the Chinese students who choose to study in Australia. They are therefore a very important market to us.

At risk from ever-lower Government funds, and through that a possible drop in world rankings as warned of by Phil Baty, is therefore Australia's \$22 billion export sector. Australia's third largest export sector.

The question on everyone's lips seems to be that of *'will a lack of Government financial commitment to the sector lead to the state of university finances, meaning a full-fee paying international student would have acceptance preference over a domestic student?'*

I doubt anyone in the higher education sector can answer that at this point in time.

It is certainly not a situation anyone would wish to entertain. Is the government entertaining this?

What I can say is it is not in any of the Go8's forward planning.

And we do need to face that this is actually **not** the pressing issue, **not at all**.

The pressing issue, is, are we, unlike our competitor nations, in a funding spiral that will affect our rankings, and through that our current level of international students?

If that occurs, and the international student market slows or collapses, we are dealing with a whole new scenario where considering full fee paying students ahead of domestic students is, let's be frank, academic.

They won't be here.

And did I mention that our international students have given Australian society a welcome opportunity to maintain a great research effort. The government should consider whether its yet to be released R&D tax review could help transition Australian companies to draw upon that opportunity.

So, our very real concerns as a nation should be centred on preserving the International markets we have captured through our quality university study offerings. Therein lies our future.

Of course, our future re the legislation, we hope, is firming up as a NO vote in the Senate.

We have passed our first hurdle with the NXT team signalling last night in the House of Representatives that the legislation is little more than a blunt instrument that will lead to job losses and high student debt and on that basis they cannot support it in its current form.



We are at a point where I believe the sector has prosecuted its arguments well and honestly.....

.....that we have been able to expose the alternative facts that this Government now uses for policy formulation and policy explanation.

All I can say to you in closing this morning, is that it is my fervent belief that Australia and Australians deserve a higher education sector that makes a difference for them, their aspirations and their futures.

The Australian economy deserves our robust contribution also.

We have to be enabled to deliver that.

Thank you.

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