The financial crisis in Australian higher education and the inexorable push towards privatisation

The context of inevitable privatisation

In recent months we have witnessed a remarkable shift in the government's proposals for private or semi-private tertiary institutions — the Yanchep and Bond proposals being the most prominent. In addition there has been a plethora of initiatives and govern- ments recruiting full-paying overseas students, signing consulting contracts with neighbouring governments in the region and so on. These events are not occurring in a vacuum and it is important to understand the rapidly changing context because we must come to terms with it and adapt our policies and practices in ways which not only accommodate reality but protect academic standards, values and integrity.

For the last decade or so, Australia’s universities have faced a cultural and financial adversity and further up a financial blind alley — a cul de sac de nul as it were. In retrospect, however, we believe the situation was fundamentally dependent on a single source of funds — 1974 has been chosen as a symbol of the complicity of the Federal Government and the Commonwealth by selling off the Commonwealth’s share of the national debt. The crisis and the Commonwealth’s share of the national debt.

For several years now I have been advocating that we seek to end the Commonwealth’s share of national debt. The Commonwealth’s share of national debt is a national debt.

It has been obvious in the past 18 months that the state political and media have shown increased sensitivity to the growing problems in the state political and media sector. The Commonwealth’s share of national debt is a national debt.

Another extremely important element in the equation pushing us inexorably towards privatisation is the growing public perception that the Commonwealth’s share of national debt is a national debt.

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Our disastrous international balance of trade and the search for new sources of expertise

In the past 12 months, a combination of the long-term ‘run-down’ in the manufacturing sector of our economy and the well-documented decline in the terms of trade of our primary tradable exports (wool, wheat, minerals, energy) has caused a disastrous deterioration in our overseas trade balance. We are running a monthly current trade deficit of the order of $2.5 billion which adds a sizeable annual $150 million to our overseas debt (now approaching $300 billion). It is plain that a significant proportion of these circumstances, the national economy is depressed in new terms of trade, of export income — enter the export of education services (a theme to which I will return later).

‘Privatisation’ — what is it?

A find little to disagree with in the following definition offered by the Federation of College Academics:

Privatisation is a term generally used to describe measures which increase the role of private markets in the delivery of education services (not provided on a universal basis by the government).

While privatisation takes many forms it most often involves, either in individual institutions or in complex combinations, the following elements:

The sale of public services to the private sector

The imposition of ‘user-pays’ principles or fees on financing public services

Increasing the role of the private sector (where the state sector has previously been predominant)

Penetration of public sector services and enterprises by market-based accounting and financial criteria

Contracting out public services to the private sector

The main facets of the push for privatisation

1. The re-introduction of tertiary fees

This is the great knell of the free market approach. While I do not intend a detailed elaboration here, the ex- isting evidence is that it has failed. Finally, essentially argues that this free-market approach has failed. Finally, essentially argues that this free-market approach has failed. Finally, essentially argues that this free-market approach has failed. Finally, essentially argues that this free-market approach has failed.
2. Private sector collaboration in research

It is not a new phenomena, however, it is currently a 'growth area' among tertiary institutions, started with government and significant funding to the public sector. The recent introduction of private sector research has led to various forms of collaboration between the public and private sectors.

3. Marketing of educational services

It is quite remarkable how quickly events have moved in this policy area and how little discussion there has been of some of the issues. For those who are interested, see McHaffie (1974), Throsby (1985), and Hughes (1984); which outlines how the private sector in Australia is marketed with assistance from Academic Suna.

4. Overseas student policy

Overseas students in Australian universities are a significant source of revenue for the Australian economy. The number of overseas students has been increasing steadily over the last decade, and as a result, higher education institutions are becoming increasingly dependent on this source of income.

The Private sector collaboration in research

There is a growing trend towards private sector collaboration in research. This trend is driven by the desire to fund research projects that align with the private sector's interests and objectives.

The marketing of educational services

The marketing of educational services is an area of increasing importance in higher education. The private sector plays a significant role in this area, with various forms of collaboration between the public and private sectors.

5. Existing reforms

The existing reforms include the introduction of the 'adaptable fee' system, which allows institutions to adjust fees based on market demand. This system has been in place in Australia since 1985.

6. Future reforms

Future reforms are expected to focus on increasing the flexibility of the fee system, allowing institutions more autonomy in setting fees. This is likely to lead to greater competition and innovation in the higher education sector.

Full private institutions

The proposals coming forward to date can be classified into three types. These are: the fully private Bond University proposal, the private TAFE proposal, and the open private institution proposals. Each of these types involves different governance structures and funding models. The fully private Bond University proposal seeks to establish a private institution with its own board of directors and management team. The private TAFE proposal aims to bring TAFEs into the private sector, allowing for greater flexibility in funding and governance. The open private institution proposals seek to establish new institutions with a hybrid governance structure.
At its meetings of October 1985 and June 1986, the AEC approved a draft set of safeguards which include:

- hybrid proposals to be approved by the State and Commonwealth Governments;
- the academic board of the hybrid institution to comprise at least one third of representatives from the validating institution;
- courses to be offered by the hybrid institution should fit within the academic profile of the validating institution and include study leave in an area linked by the validating institution;
- the academic board of the hybrid institution to have responsibility for staff appointments;
- no Commonwealth funds may be used directly or indirectly to subsidise the hybrid institution;
- the validating institution to make provisions for the withdrawal of its support in the event of unsatisfactory activities by the hybrid institution.

FCA and FAUSA have urged the Commonwealth to strengthen these guidelines and have offered a set of amendments which seek to give the “validating” public institution greater control over the hybrid’s academic board — which in turn results in more staff appointments and resource allocation (McCulloch, 1986).

**Conclusion**

Enormous post-up pressure has been created in Australian higher education in recent years. It is a result of a combination of factors including: the dramatic increase in secondary school leavers and associated student demand for higher education; the increasing demand for tertiary places by mature age, migrant, aboriginal and other traditional groups; rapidly escalating demand in South East Asia for full-fee-paying overseas student places at a time of acute Australian need for export income; a decade of serious neglect of federal funding for tertiary teaching and research; and the extremely serious and deteriorating state of the Australian economy and budgetary deficit.

It is this ‘pressure cooker’ effect which has led in recent times, in the absence of adequate federal funds, to sporadic state funding initiatives in tertiary education and to a growing rash of privatization proposals. This is the inevitable consequence of the Commonwealth’s increasing inability and/or unwillingness to adequately maintain tertiary support, let alone properly finance tertiary expansion. Given the demonstrable need for tertiary expansion and the magnitude of the demand, there is no realistic alternative to the application of private funds. We can have steady deterioration and decline with continued public failure to fund sufficiently, or we can have expansion with the use of some private funds. In my view, Australian tertiary education, like the economy and other aspects of national policy is facing a period of fundamental re-examination and we must be prepared for a sea-change. I believe the only sensible choice to be expansion with the intelligent and regulated application of whatever forms of private funding seem beneficial, sensible and acceptable. It would seem imperious that amongst a range of safeguards, any tertiary institution accepting this challenge will establish a campus-wide broadly representative standing committee which must develop criteria and guidelines for systematically vetting all commercial proposals prior to their acceptance or rejection. It will be important for all institutions quickly to develop similar expansion proposals and understanding how to protect the essence of academic integrity and standards while ensuring the benefits of expansion from private funds.

**Bibliography**

Johne Dowkins, Address by the Minister for Trade to the Export of Education Services Conference, ANU, Canberra, 8 October 1984.

**Figure 1**

[Figure 1 showing data related to education spending.]

**Figure 2**

[Figure 2 showing data related to education funding.]

**Figure 3**

[Figure 3 showing data related to student enrolments and funding.]