



SPEECH

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HIGHER EDUCATION LEGISLATION AMENDMENT (2007 BUDGET MEASURES) BILL 2007 Second Reading

[Dr EMERSON](#) (Rankin) (1.21 p.m.)—There is much to support in the [Higher Education Legislation Amendment \(2007 Budget Measures\) Bill 2007](#), and Labor will support a significant number of the measures that are contained within it. In particular, we will be supporting the reduction in the number of Commonwealth Grant Scheme funding clusters because the government has argued that it will give universities greater flexibility in their capacity to allocate funds across courses. As you will see from what I have to say, I am a great supporter of extra flexibility in the university system.

The legislation also introduces three-year Commonwealth Grant Scheme funding arrangements to commence from 2009. It increases the total number of Commonwealth supported places. That certainly is a welcome measure, belated though it is. It and a number of the other provisions in this legislation are a response to Labor spending a great many hours in the parliament and outside arguing that our universities are underfunded and that there are not sufficient places for Australian undergraduate students. This is a matter to which I will return in a moment. The legislation also increases the number of Commonwealth scholarships from 8,500 to 12,000 a year and allows them to be paid by the Commonwealth directly to students. Again, Labor strongly supports the increase in the number of Commonwealth scholarships. The legislation introduces an Indigenous scholarship classification for up to 1,000 higher education Indigenous students. That is a beautiful measure, and we certainly support that.

The legislation also allocates additional funding to universities to improve teacher education programs. It creates a new diversity and structural adjustment fund for universities, including the appropriation of an extra \$67 million. Further, the legislation provides additional funding to the Australian Research Council for the period from 1 July 2007 to 30 June 2011. There are within this legislation substantial increases in support for higher education in Australia. Labor welcome that. We also welcome a provision that is related but is not in this piece of legislation—that is, the creation of a Higher Education Endowment Fund of \$5 billion initially with extra funding from future surpluses going into that fund. That is a good measure.

But all of this is to be seen in the context of the Prime Minister of 11 years questioning Labor's credentials when we have argued for extra funding for universities in Australia. I will not painstakingly take the parliament through the number of statements that the Prime Minister has made, but in 2005 on the *Sunday* program he criticised what he called 'an obsession with increasing year 12 retention rates' and argued that Australia would have been much better off if a lot more young people had left school early. He said that there was a preoccupation with everyone having to go to university, and not everyone does have to go to university.

In a literal sense, that is clearly true. But it is also true that Labor in government made a concerted and sustained effort to increase the number of young people who did go to university because we thought that it was very much in their interests and in the interests of this great country. The Prime Minister has been bemused at that. He has criticised it. We have had the former education minister, now the defence minister, on many occasions accusing Labor of snobbery in arguing the case for more young people to go to university and to have some relief from HECS. He thinks that that is elitist. He thinks that Labor MPs are snobs in arguing for that. It bemused me that here was a man who got a full university education; he did not choose to leave school early. He went on to become a doctor of medicine but thought it was very snobbish of Labor to suggest that others might do the same thing or undertake other university courses.

It has been a very disappointing debate over the last 11 years, but Labor has stuck to its guns and, at least in a significant part as a result of that pressure, the government has understood that in the most basic political sense it was vulnerable in the area of higher education. And that is when the government does react. It tends to react in election years. It reacts to political pressure rather than having a view about the nation's future and the importance of investing in it. What better investment could we make than investing in the talents of our young people? When we talk about nation building, from the 1940s and 1950s right through to the current period, we talk about building bridges, roads and railways. What about building stronger communities and building the creative talents of our young people through extra investment in higher education? Is this not the new nation-building agenda, where we agree across the parliament and across the political spectrum that the greatest investment of all must be the investment in the talents and creativity of our young people?

There is much to support in this legislation. Labor do not support every aspect of the bill, and we do note in the second reading amendment that, as proportion of total revenue, Commonwealth grants to universities have fallen from 60 per cent of the revenue of the universities at the change of government in 1996 to 40 per cent now, while university revenue derived from private sources of income has increased from 35 per cent to 52 per cent and revenue from fees and charges has increased from 13 per cent to 24 per cent. Those figures reveal that Australia has, in the 11 years of the Howard government, adopted a policy of substituting private contributions to higher education for public contributions. The OECD, in its regular report *Education at a glance* and in other OECD documents, has pointed out that Australia is arguably the only country—and if not the only country then one of very few countries over the last decade—that has substituted increases in private funding for increases in public funding.

The pacesetting countries have increased both public and private funding for universities, and Australia is one of the few countries that has not done that—in fact it has substituted it. A statistic from the OECD that the education minister does not like and which she challenges is this: over the last decade or so real government spending on tertiary education in Australia has gone backwards by

seven per cent, whereas on average across the OECD it has gone forward by 48 per cent. It is quite fascinating that the Treasurer, the education minister and the Prime Minister spend a lot of time in this parliament glowingly citing the OECD—perhaps on matters of industrial relations or economic reform—but, when the OECD produces these stark figures showing an increase across the OECD of 48 per cent in funding for tertiary education but a seven per cent decline in Australia, the education minister cries foul and says that the statistics are wrong. The OECD has been putting forward these statistics, with minor revisions, for a couple of years now, and I would have thought the education minister would have had ample time and opportunity to make her case to the OECD as to why the figures are so wrong and to have them corrected. But the OECD has not corrected them. They tell a very sorry tale about university education in Australia and the lack of this government's commitment to university education.

Another indicator of the lack of commitment is this fact: over the period of the present coalition government there has been virtually no increase in the number of Australian undergraduate enrolments in universities. There was a very tricky little exercise around Christmas when the education minister managed to convince one of the newspapers that there had been a lift in the last year or so, and in fact there had been, but it was off such a low base. For two years there was a decline in the number of enrolments of Australian undergraduate students. If you allow the numbers to fall it is not so remarkable when they increase again. What the minister did not tell the media at that time was that the most recent figures are virtually unchanged compared to 1996.

When we should be making a massive investment in Australia's future through higher education, schools, preschools and early childhood development, the government has presided over a situation where there has been virtually no growth in Australian undergraduate enrolments. Instead, our public universities have had to rely much more strongly on overseas full fee paying students, and that is why we have a situation where revenues from fees and charges have increased from 13 per cent of university revenue in 1996 to 24 per cent. It is a result of both full fee paying Australian students, and before them it was very substantially the result of foreign full fee paying students. That is just the way the government wants it. The government has a view—and this is one of the great dividing lines between the ALP and the coalition—that higher education is essentially a private good. By that I mean that most of the benefits of going to university accrue to the student and not to the wider community and therefore most of the funding should come from the student. That is the government's philosophical view and Labor does not agree with it. Labor believes that there are much wider and stronger benefits for the rest of the community from young people gaining a university education than the government does.

I base that view in part on the work of Richard Florida, whose two books about the creative class argue that the prosperity of nations over the coming decades will be determined more than anything else by the ability of regions of countries to generate, attract and retain creative talent—that is, overwhelmingly university educated people. In these regions wages will be high and creativity and wealth generation will be strong, whereas in those regions that are unsuccessful in generating, attracting and retaining creative talent wages will tend to be low and will be lagging other parts of the national economy of those countries. Indeed, those countries that are unsuccessful in attracting, retaining and generating creative talent will languish in this great contest of the 21st century, and that contest will be for creative talent around the world. In the 21st century there is no doubt that this contest will be fundamental in determining the prosperity of nations as well as the level of tolerance of nations and parts of nations. It will be a very important contest and it is one that Australia has been very reluctant to

participate in, overwhelmingly because the government does not believe in the wider benefits of creativity and imagination in determining not only the prosperity of Australia in the future but the fairness of our country and the sense of tolerance and compassion that we are able to display.

The particular measures to which I want to refer now include reducing the number of clusters funded under the Commonwealth Grant Scheme from 12 to seven. This would provide more flexibility to allocate places across different disciplines and respond to student and employer demand. As I said at the outset, I am a very strong supporter of greater flexibility in our universities. We are in danger of our public universities—which are becoming increasingly less able to access public funds and are taking on more of the dimension of private universities—being outcompeted by genuinely private universities because, as the total government funding of public universities falls but the regulation around them is not reduced, they will face a competitive disadvantage against private universities, which are less regulated.

So any measures that improve the flexibility of public universities to be able to adapt to changing demand for university places in particular disciplines are to be welcomed. That is why Labor welcomes that particular measure. But, as part of that, Commonwealth Grant Scheme funding for a number of disciplines is actually going to be cut, which will mean increased HECS charges for those disciplines. They are accounting, administration, economics and commerce. To use the government's Orwellian language, the funding for these will be 'adjusted downwards'—I think that is a cut—because, again, the government regards these disciplines as displaying much more the features of a private good rather than a public good. I am a trained economist. I think the government is saying that I capture most of the benefit of being a trained economist and the wider community does not. I suspect the Parliamentary Secretary to the Prime Minister, who is in the chamber, might agree with that observation. Nevertheless, it is important that those young people who are training for accounting, administration, economics and commerce not be deterred by higher fees from undertaking those endeavours.

One of the most curious statements that has been made in this parliament—and that really is saying something—was made by the Minister for Education, Science and Training when she said on a couple of occasions that because HECS is repayable out of future income it does not matter if there are increases in HECS because that will not deter students going to university. That is an absurd proposition. It is like saying: so long as you buy a car on hire purchase it does not matter what the price of the car is. So long as you put some bananas on lay-by it does not matter if the price of bananas goes back up to where it was when Cyclone Larry wreaked its devastation on North Queensland because they will be payable out of future income. It is just a crazy proposition. Maybe this is an argument for economics students not being deterred from university—because the minister could use a bit more economic advice. The very idea that simply because a payment will be made out of future income means that it does not matter if HECS charges are increased has to be one of the most remarkable statements since a senator—regrettably on our side of politics, as I understand it—back in the 1970s declared that traditionally most of Australia's imports have come from overseas. The minister might be in that category with her claim that it does not really matter that HECS charges go up because they come out of future income. There will be deterrence as a result of HECS fee increases. There already has been—we have seen that in the levels of enrolments.

Using the same analysis, the minister has said, 'Aren't we'—the government—'terrific because the level of unmet demand has been reduced to almost zero.' If the objective of government policy is to eliminate unmet demand in our

universities then the government could charge everyone \$500,000 or \$1 million in fees, because then there would not be any unmet demand, there would be no demand at all. Here we have the minister again saying that the role of government is to eliminate unmet demand. No, Minister. The role of government is to support the university education of our young people. The previous education minister actually told the *Australian* newspaper that he expected the number of university graduates to fall in Australia over the next decade or so. Such is the attitude!

In the remaining time I have I want to particularly welcome the extra Commonwealth scholarships for low-income students. This is a little bit similar to proposals that have been put recently by Professor Glyn Davis on behalf of the Group of Eight. I will just quickly remind members of parliament that I made such a proposal on 22 September last year when I said:

Students would be funded according to need through a system of Commonwealth scholarships with disadvantaged students receiving extra support.

So the government has picked up some good proposals here. I welcome them. We do not support everything in this legislation but it has come very late and only as a result of political pressure. (*Time expired*)