



## **SPEECH**

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Much has been said about Australian values in the last few weeks. I have long held the view that any major political party has a responsibility to convey to the people a political philosophy based on the values it holds dear - if you like, a vision for the country's future. Policies can then be developed based on that value-laden philosophy.

That's why, in the early 1990s, I convened with my friend, Fleur Kingham, a Brisbane-based forum series called *twenty twenty vision: Australia's future*. We invited guest speakers to lay out their vision for Australia in the year 2020 – then a quarter of a century away but now only 14 years to go. After each speaker had a go, the audience, averaging around 180 people, was invited to make contributions from the floor in the true spirit of a forum.

Speakers included Bob Hawke, Professor Ross Garnaut, Hugh Mackay, Deputy Opposition Leader Michael Wooldridge, Premier Wayne Goss, head of the Australian Republican Movement Malcolm Turnbull, Professor Cheryl Saunders, Peter Garrett and the late Rick Farley.

Bob Hawke's vision embraced notions of prosperity, fairness, respect and reconciliation. Peter Garrett and Rick Farley espoused ecological sustainability. Ross Garnaut foresaw this, the Asian century. All these sentiments I readily recalled. But when I dusted off the book we wrote from that series, what struck me was the dominant theme of contributions from the audience. Our book reports:

*“In fact, the two dominant recurring themes that have emerged from the audience during the 2020 Vision forum series are firstly, the inadequacies of Australia's education system and, secondly, deep disenchantment with the two party political system in Australia.”*

Woops! What's changed? That was a dozen years ago, but it could have been written yesterday. Or tomorrow. The way we are going it will be written in the year 2020. Bob Hawke's prescient warning during the first forum that we lacked the creativity and skills to implement his twenty twenty vision has gone unheeded.

Our host today, Vice Chancellor Peter Coaldrake, then head of the Public Sector Management Commission in the Goss Government, was a founding member and regular attendee at the twenty twenty forum series. His kind invitation to address you this morning gives me a fresh opportunity to have another go at the vision thing.

In my first parliamentary speech almost eight years ago I spoke of a great society. This great society would pass seven tests: of dignity, respect, harmony, honesty, decency, economy, and ecology. Since that time, my vision for Australia has clarified to one of a prosperous, fair, tolerant and compassionate society.

In my book, *Vital signs, vibrant society*, about which I have been invited to speak today, I develop a plan for Australia designed to realise this vision of a prosperous, fair, tolerant and compassionate society. At the heart of that plan is a reformed education system, since I am convinced that education is the key that unlocks two doors – one leading to prosperity and the other to opportunity for all in a fairer Australia.

*Vital signs, vibrant society* describes Australia's challenge. Labor in government had recognised that today's productivity growth is tomorrow's prosperity. Its economic reform program lifted productivity growth out of its mediocre long-term average to the fastest rate of productivity growth in the developed world other than Finland's. Australia's modern prosperity is built on this record-breaking decade of productivity growth.

But the absence of a comprehensive productivity-raising program by the incoming Coalition government has caused productivity growth to slip into reverse gear in 2004 and it has failed to recover.

The Intergenerational report released by the Treasurer in 2002 contains sombre projections. A combination of population ageing and faltering productivity growth is projected to inflict on Australia from the decade beginning in 2010 the slowest rate of income growth per person since the decade of the Great Depression. And that sombre projection assumes productivity growth will have reverted to its mediocre long-term average of 1.75 per cent per annum. But recent productivity growth has been much closer to zero!

Australia desperately needs a new round of productivity growth based on a productivity-raising reform program.

International empirical studies have established education as the dominant source of productivity growth in the 21<sup>st</sup> century; wise investment in education is the most powerful contributor to productivity growth.

But education must be more than skills development. Richard Florida, author of *The rise of the creative class*, has followed up with *The flight of the creative class*. He predicts intense global competition for creative talent in the 21<sup>st</sup> century. Florida estimates the global creative class at up to 150 million people, comprising scientists, engineers, artists, musicians, architects, managers and professionals. These are overwhelmingly university-educated people.

Regions of countries that generate, attract and retain creative people are – and increasingly will be – the most prosperous places on earth. Conversely, those countries and regions that fail to attract creative talent will languish, producing low-value products for low wages. Generating, attracting and retaining creative people will be *the* great global contest of the 21<sup>st</sup> century.

How has Australia fared in nurturing creative talent? Australian students perform well in international tests, but we have an unusually long tail of students who do very badly. Literacy and numeracy among Australian students has not improved over the last quarter of a century. Fully one in five adult Australians are functionally illiterate.

How can we ensure that our schools and universities nurture and develop the creative talent essential to realising a vision of a prosperous, fair, tolerant and compassionate Australia?

Australia's modern prosperity owes much to the most radical free-market reform program ever implemented, led by a former trade union leader, Bob Hawke, and his successor, Paul Keating. Yet these radical market-based reforms drove right past the nation's state-owned education institutions, leaving them shackled with regulations that sap any energy for creativity, diversity and excellence.

State school enrolments have been flat for two decades as parents vote with their wallets and their children's feet, walking them out of state-run schools and into the yards of less-regulated private schools. State-owned schools in poor communities are being left with heavy concentrations of children with behavioural problems and learning difficulties. This concentration of disadvantaged students in poor government schools is badly damaging the overall performance of those schools. It is hard for children to learn in poor government schools when so many disruptive students and children with major problems at home are concentrated in the same classroom.

Teacher pay rates and scales in the state school system resemble those of no private profession in Australia. They no longer resemble those of the public service. Public servants are paid according to performance, not years of service. At the executive levels of the public service a system of bonuses applies.

Entry-level pay for teachers has failed to keep up with that of competing professions. Teacher pay scales have been compressed, denying the system the ability to offer financial incentives for excellence in teaching. We should be distressed but not surprised that good teachers become frustrated and leave the state-run system for the private schooling system, teaching overseas or other professions.

Specialisation and excellence in the state-owned secondary schooling system is discouraged by an archaic zoning system. Zoning and other regulatory constraints on state-owned secondary schools is limiting their ability to compete with private schools.

A needs-based funding model applied in a less-regulated school system would reward excellence and help remedy social disadvantage in the quest for a prosperous, fair, tolerant and compassionate society. Funds would be payable to schools but would move with the child. Students with learning difficulties and behavioural problems would attract extra funding, making them more lucrative for state and private schools.

Needs-based funding in the school system would be used to attract the best teachers to the most disadvantaged schools, and for teacher aides, reading recovery and full-service schools that included visiting nurses, counsellors and psychologists, GPs and police.

To attack disadvantage at its origins, a comprehensive program aimed at early childhood development would be implemented jointly with the states. Early intervention programs would include home visiting by nursing staff, positive parenting programs and a national preschool year for all four-year olds.

If the state school system seems highly-regulated, the public university system bears a remarkable resemblance to the old Soviet command-and-control system, with the control centre issuing directives from Moscow on the Molonglo. As directives are sent out, under-funded higher education production units respond by churning out standardised graduates. Expansion in the system is limited to the administrative apparatus needed to process and comply with directives from the command centre.

Under-funding is chronic, just as it was in the Soviet command-and-control system. Since 1995, Australian government spending on tertiary education has contracted by 7 per cent, whereas in other OECD countries it has increased by an average of 48 per cent. Australia is identified by the OECD as one of the few countries where extra private funding of higher education has substituted for instead of complementing extra public funding.

Under-funded universities are forced to revert to rote learning; initiative and creativity are stifled. A certificate is issued at the end of the degree production period for presentation at job interviews.

Students, too busy with casual work to do much more than attend lectures and tutorials, rarely question authority or challenge orthodoxies. Mediocrity rules!

The best, most highly-motivated students exceed the specifications of the standard model degree, while the uni-factories produce virtually no rejects. They can't afford to; they are so starved of funding to meet their assigned production quotas.

Though the entire Soviet system collapsed more than a decade ago, Australia's state-owned universities are yet to experience the forerunners of *perestroika* and *glasnost*. Drawing on the Columbia Encyclopaedia, there has been no attempt 'to transform the stagnant, inefficient command economy of the Soviet Union into a decentralised market-oriented economy where industrial managers and local government and party officials are granted greater autonomy'. Nor has there even been any 'openness in public discussions about current and historical problems'.

When Australia's state-owned universities are crying out for a bit of *perestroika* and *glasnost*, Mikhail Gorbachev has become an environmentalist! It just goes to show, the Howard government's Moscow on the Molonglo is more effective at resisting market-based reforms than the Soviet Union ever was. If Fidel Castro's health fails him, Moscow on the Molonglo will be the last bastion of the 150-year socialist experiment.

Yet some of Australia's public universities draw as little as 40 per cent of their funding from the state that so tightly controls them. All of the enrolment growth at Australia's public universities since the change of government in 1996 has been in foreign and Australian full fee-paying students. But more, rather than fewer directives, are being issued each year from Moscow on the Molonglo. Commissar Nelson issued at least 14 new directives in his later years in the command centre. And though Commissar Bishop has made some market-based utterances, she has rescinded none of her predecessor's directives.

A crisis is likely to occur as early as next year in Australia's university system. All universities have availed themselves of the opportunity of lifting HECS charges by 25 per cent, so that will not be a new source of funding. Overall growth in foreign full fee-paying students has slowed or maybe even stopped, as universities in China improve their standards and capabilities, American universities open campuses in the region and other countries lift their standards. Though Australian full fee-paying places increased sharply a

couple of years ago, it appears this growth has not continued. Funding attached to Commissar Nelson's workplace requirements is set to run out in the next year or so.

As extra public funding is denied and the command-and-control system collapses under its own administrative weight, less-regulated private universities will make further inroads. A number of public universities and university campuses will face insolvency in the next year or two. It will happen just as inevitably as the Soviet Union collapsed under its own administrative weight and from competitive pressures from market economies.

When the Hawke government took office, it implemented the pro-competitive, deregulatory reforms shirked by the Fraser-Howard government. So, too, will the task of reforming Australia's university system fall to an incoming Beazley Labor government.

My colleague, Jenny Macklin, has issued a white paper on higher education that moves higher education towards a more market-based system that shuns the one-size-fits-all command system and encourages competition, diversity and excellence. It is an excellent document.

In my view, a reformed university system would resemble the proposed reformed school system. Stifling regulation would be removed, diversity encouraged and excellence rewarded. Students would be funded according to need through a system of Commonwealth scholarships, with disadvantaged students receiving extra support. Funds would be payable to universities of the students' choice but, as in the reformed school system, funds would move with the student. Students receiving Commonwealth scholarships would pay the balance of the fees through HECS.

In this less-regulated system, universities would receive the same funding for students irrespective of the level of Commonwealth scholarship received by each student. They would have no reason to prefer less-subsidised or more highly-subsidised students. The Commonwealth would no longer determine the number of student places at each university. Instead, this would be determined by the competitive ability of each university to attract students to courses on offer.

Recognising the increasingly intense global competition for university academics, the reformed system would allow academics and teachers in popular courses to receive extra pay.

If students aren't attracted to particular courses, the courses would close. If campuses or whole universities were poorly administered they would be subject to mergers or takeovers by more efficient university administrations. Regional campuses might not be financially viable but could be supported through Commonwealth community service obligations. But again, inefficient regional campuses would be subject to competitive pressures from more efficient administrations.

This better-funded, more diverse, more competitive higher education system would be far better equipped to produce the creative talent upon which Australia's future prosperity depends. It would be better placed to achieve the vision of a prosperous, fair, tolerant and compassionate society.