It is Julie Bishop, education minister in the Howard era, who could have shown Labor a better way to foster a positive higher education story. Photo: Alex Ellinghausen

Opinion

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The government’s decision to cut more than $2 billion from university funding to pay for the Gonski school reforms is a distinctly poor one. To reduce one high payoff investment to pay for another is misguided for future budget sustainability.

The measures also undermine what Labor most needs: an aspirational narrative around the clever country. Instead, the story is more about class redress than widespread benefit.

Ironically, it is Julie Bishop, education minister in the Howard era and now deputy leader of the Liberal Party, who could have shown Labor a better way to foster a positive higher education story to complement the school endeavours.

Bishop has a track record in higher education and excels at three things: improving efficiency, providing a proper investment base and seeking serious global integration.

Bishop was not always popular with vice-chancellors. As education minister during the Howard years, she felt that universities were inefficiently managed and said so. However, a long period of
penury which has seen real Commonwealth funding per student place fall from $11,400 a student in 1994 to $8800 in 2010 (in 2010 dollars), and Commonwealth funding as a share of university revenue fall from 58 per cent to 43 per cent, means that universities now benchmark well.

Labor’s “efficiency dividend” will be squeezing what is increasingly a very dry lemon. Hence it is tertiary education quality itself that will suffer. The school students who benefit up-front from the Gonski reforms will be disadvantaged when they reach university.

To say the dividend is temporary defies history. Paul Keating imposed a “temporary” reduction in indexation for universities. The reduction lasted 15 years.

With states also withdrawing support for technical and further education colleges, the “clever country” is being deeply compromised. The vision needed for a post-minerals boom era is sadly lacking.

Could a new Coalition government be very different? The opposition is still playing its cards close to its chest. But if Bishop chooses, she could certainly induce her colleagues to lower the heavy regulatory burden Labor imposed upon universities and vocational education.

Further, it was Bishop (with treasurer Peter Costello) who set up the Higher Education Endowment Fund (HEEF), which was appropriated from Coalition surpluses to invest in education infrastructure.

The Coalition came to recognise that it had punished the university sector more than enough. The HEEF was visionary and has been given insufficient credit. Labor simply changed its name to the Education Investment Fund (EIF) and raided it, including for R&D for the motor vehicle industry.

Labor’s claim to have delivered record support for universities comes mainly from spending the funds the Coalition bequeathed to it for capital investment. Improvement in recurrent funding has been belated and is due overwhelmingly to massification at below-unit cost. “Growth” is still a falling share of GDP. The opposition has let Labor get away with the best possible spin on this.

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What the opposition can do is be creative. First it should augment the HEEF/EIF and it can do this before the restoration of tax-revenue growth. It can simply use the $26.3 billion Higher Education Contributions Scheme debt to issue bonds to raise capital hypothecated to the fund and serviced by HECS repayments.

Such securitisation of HECS would match shadow treasurer Joe Hockey’s desire to rebuild the longer-term end of the debt market and provide a ready vehicle for superannuation fund investment, including for the $30.5 billion UniSuper fund. A conservative $12-15 billion fund augmentation is feasible, generating new annual grants of $600 million-$750 million in the future.
The opposition could also be creative in the other area of Bishop’s more recent enthusiasm: overseas education. She has been taking the lead on a reverse Colombo Plan, which is the opposition’s counterpoint to Labor’s Asian Century rhetoric.

What is needed to make this work for the Coalition, without serious strain, are two things. The first is an extension of HECS to cover fees, travel and living expenses for overseas study for Australian students. This extension to a living-cost allowance could also apply for an opt-in domestic living-cost supplement, turning around the damage that will result from the Labor government’s movement of Start-Up Scholarships to HECS repayment obligations into a wider positive.

There should also be complementary development of a HECS scheme for incoming international students. Now international students are either aid-funded or full fee up-front. To offer income-linked loans also would give Australia a huge competitive advantage in international education and substantially enhance revenues. For example, a 10 per cent improvement in student numbers would represent an additional $1.5 billion in export revenues to Australia, with up to $500 million being direct tuition fees to universities.

Robert Menzies felt that, contrary to some perceptions, his support for the original Colombo Plan was one of his best interventions, alongside his unwavering commitment to university support. For the Coalition to take up such themes again would be a worthy goal.

Or perhaps the independents could live up to their rhetoric by imposing such ideas as conditions for their support of Labor.

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