PRIVATISATION, STRUCTURAL ADJUSTMENT AND
AUSTRALIAN
HIGHER EDUCATION POLICY.

Master of Arts Thesis: Department of Political Science,
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Declaration

I declare my authorship and full acknowledgement of all sources used in the thesis entitled:

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submitted in fulfillment of the requirements for the degree of Master of Arts (Political Science) at the Australian National University.

Diane Stone 20th January, 1989
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ABBREVIATIONS

ACDP  Australian Committee of Directors and Principals.
ACTU  Australian Council of Trade Unions
AEC  Australian Education Council
AFR  Australian Financial Review.
AIBT  Australian Institute of Business and Technology
AIPP  Australian Institute of Public Policy
ALP  Australian Labor Party
ARC  Australian Research Council
ASTEC  Australian Science and Technology Council
AUC  Australian Universities Commission
AVCC  Australian Vice Chancellors Committee
CAE  College of Advanced Education
CIS  Centre for Independent Studies
CPS  Centre of Policy Studies
CTEC  Commonwealth Tertiary Education Commission
DEET  Department of Employment, Education and Training.
DEIR  Department of Employment and Industry Relations
EFTS  Equivalent Full Time Students
EPAC  Economic Planning Advisory Council
ERC  Evatt Research Centre
FAUSA  Federation of Australian University Staff Associations.
FCA  Federated Council of Academics
FIRB  Foreign Investment Review Board.
FFP  Full Fee Paying
HEAC  Higher Education Administration Charge.
HECS  Higher Education Contribution Scheme
HES  Higher Education Scholarships.
LP-NP  Liberal Party - National Party
NBEET  National Board of Employment, Education and Training.
OSO  Overseas Student Office.
PSBR  Public Sector Borrowing Requirement
R&D  Research and Development
TAFE  Technical and Further Education
TEAS  Tertiary Education Assistance Scheme.
UNS  Unified National System
UWA  University of Western Australia
WAIT  Western Australian Institute of Technology
Introduction.

This thesis attempts to explain why privatisation, in its various forms, has taken place in Australian higher education and to assess the implications of the emergence of a small sector of private providers upon public policy in general, and of changes to the mode of provision, financing and regulation in particular. (1) It will argue that economic and fiscal pressures have curtailed the Commonwealth's ability to fund adequately higher education expansion and that privatisation, through the introduction of user-pays systems, such as the graduate tax, is seen as an expedient means for government to overcome fiscal constraints. Privatisation, however, can take a variety of forms other than user-pays such as the sale of public assets, contracting out service provision to private sector providers and the liberalisation of government controls. All of these methods transfer the responsibility of production and/or financing of goods and services away from the public sector to private individuals or corporations.

Fiscal pressures have coincided with the Hawke Government's economic priorities whereby the higher education system is to assist in the structural adjustment of the Australian economy towards improved export competitiveness. Its role is to produce skilled manpower and the necessary technology to fuel growth in the high technology manufacturing and service industries. Accordingly, alongside the privatisation process, there have been new demands for accountability in higher education, greater economic relevance, improved efficiency, wider access for more groups in society and a closer relationship with industry. These priorities have provided the rationale for the federal government to restructure the administrative environment of higher education, centralising power within a new superdepartment and reorganising curriculum, research and teaching in tune with economic objectives. Privatisation, therefore, does not necessarily mean that the higher education system is moving from monolithic state control to an untrammelled market. As Papadakis & Taylor-Gooby note,

Privatization does involve cuts in subsidy, regulation and provision by the state but this may only imply a restructuring of these three components: hence cuts in provision may be compensated for by increases in subsidy and so on (1987:184).
While the federal government has disengaged itself from total financial responsibility, there is now a greater emphasis on central coordination and supplementary private financing with regulation conducted through both state and federal authorities. Additionally, a no growth period in public higher education has been complemented by the rapid emergence of private providers, leaving open the possibility of public subsidisation of these ventures rather than expansion of public provision.

Privatisation in higher education has not been straightforward. Rather, there has been a dual process, only one form of which has been initiated by the federal government. Privatisation in the public domain has appeared orderly and planned whereas privatisation through the initiative of entrepreneurs has been piecemeal and lacking any central control. User-charges policies within the public sector have been strongly encouraged by the federal government. It is this fiscal privatisation which has imposed a substantial proportion of the costs of higher education primarily on graduates and overseas students but in a situation where the federal government maintains control over policy, planning and provision. The second process of privatisation has been the privatisation of provision; that is, the emergence of private higher education institutions such as the Bond University and smaller institutions such as the Australian Institute of Business and Technology, which fall outside the ambit of direct federal government control.

The Australian policy literature on privatisation is narrow, tending to draw on overseas experience when discussing the advantages and disadvantages of privatisation for Australia (see inter alia, Stretton, 1987; Wiltshire, 1987 & Abelson, 1987). Commentators have also been predominantly economists (for example, Albon, 1987; Trengrove, 1987; Piggott, 1987; Hogbin, 1987). Another characteristic of the literature has been the tendency to focus on particular types of privatisation, especially the denationalisation of major public enterprises. Fraught with union conflict and involving the transfer of ownership, denationalisation has readily gained academic and media attention. This focus has been to the detriment of sound analysis of the privatisation of welfare and other social services. Privatisation in this area can be a more subtle and less dramatic process than, for example, selling the national air carrier to an overseas
consortium. There are, naturally, exceptions to this general observation, notably the edited collection on privatisation and the welfare state by LeGrand and Robinson (1983) as well as the work by Papadakis and Taylor-Gooby (1987) and Flynn (1988) and on education specifically, by Peston (1984) and Maynard (1982). Nonetheless, these are UK contributions to the literature. Australian works on privatisation and welfare are few and far between. An edited collection of conference proceedings (Jones & Anwyl, 1987) made an early contribution to the study of privatisation in Australian higher education, otherwise, privatisation has been treated in passing as part of general discussions about the state of higher education in Australia (see Botsman, 1988; Gelber, 1986). As yet, there has not been a study directly addressing the process of privatisation in Australian higher education, nor an analysis of private higher education (but see, Smart, 1988; Stone, 1987; FAUSA-FCA, 1988).

In itself, the study of higher education is valuable to the Australian public policy literature and policy making studies. Higher education policy is a fertile field for studying federal-state relationships (Birch et al., 1979), problems of policy co-ordination between different government agencies (Marshall, 1988a) or different modes of service provision and financing (Hogbin, 1988), just to indicate a by no means exhaustive list of possibilities. This thesis is not a study of privatisation and the politics of policy making processes in higher education. Instead, it has a broader focus, providing a case-study of the process of privatisation in Australian higher education throughout the first five years of the Hawke Labor Government.

The thesis falls into two halves. The first half addresses the concept of privatisation and higher education developments in the context of post World War Two economic boom and recession. The term, its application and the supposed benefits and disadvantages are discussed along with the Hawke Government's attitude towards privatisation. A case is made that privatisation is an applicable term for some recent trends in Australian higher education even though the Hawke Government has not termed its policies as a form of privatisation. The second half of the thesis addresses the emergence of private higher education in Australia and the evolution of government policy in this area. The division from the preceding half is, in part, a reflection of
the way private higher education is treated in Australia, that is, entirely distinct from the public system and in which the federal government has no desire to be involved. While there exists readily accessible literature on privatisation and the Australian higher education system in general and on which Chapters One, Two and Three are based, Chapters Four and Five have drawn heavily upon interviews, media reports and documentation from private institutions.

The two criteria used to distinguish between private and public are the modes of provision and financing. They are not mutually exclusive, however, and combinations of different modes of financing and provision are possible. Klein (1984), for example, refers to private provision and private financing as representative of the "nightwatchman model of the welfare state", that is, the state is involved in a minimal role of law and order. Public finance and production, on the other hand, is indicative of the "universal provider state". From 1974 to 1986 universal provision prevailed in the Australian higher education system. This is not to suggest, with the emergence of private institutions and an increased emphasis on private financing, that the Hawke Government is propelling the Australian higher education system towards the nightwatchman state. Rather a dual system is evolving; a mixed economy of public provision and financing, alongside private provision and financing. The nightwatchman and universal provider models can be further modified by government intervention. Thus the minimal welfare state could also be a "mandating" state which operates not through finance but through legislation or regulation. With the evolution of dual sector provision, new modes of regulation have developed with state governments playing an increasingly important role.

Chapter One commences with a brief history of federal involvement in higher education followed by a review of the decline of universalist social policies in the context of economic recession and the extent to which neo-liberal thinking of free markets and individual choice has captured the policy agenda. Claims of inefficiency, government overload and corporatism have led intellectual thought away from support for social democratic values of economic management. In higher education this is reflected in the trend away from universal free provision to the perception that higher education has more of the qualities of a private good than
a public good. While ideas and ideology provide only partial explanations for policy they are, nonetheless, "...especially important in providing the assumptions which define the problems and limit the range of policy alternatives considered at any point" (Simeon quoted in Hawker et al, 1979:12). Of equal importance, however, are the economic forces that have substituted constraint for opportunity in policy determination. Changes in the global economic environment and its impact on a small vulnerable economy such as Australia's are briefly discussed and an outline of how conditions have brought out an economic rationalist and instrumental attitude in the federal government towards the role of higher education is provided.

Chapter Two, drawing primarily upon the British and Australian literature, reviews the various goals of privatisation and the nature of the debate in Australia. Public attention has focussed on the proposed privatisation of major public assets such as Qantas while, by comparison, the "privatisation" of education has not been so controversial. Policies that have transferred the costs of education increasingly to the student rather than the community as a whole and the use of subsidy to private schools and universities has not been officially regarded as a form of privatisation. In education, privatisation has been a gradual and less visible process than the denationalisation of a major public enterprise, involving not the sale of universities and colleges, but the imposition of costs upon individuals.

Chapter Three concentrates on the Hawke Government policies and privatisation with regard to the public higher education system. Policies to introduce user-pays systems such as graduate taxes and fees for overseas students as well as charges for academic consultancy services are a form of privatisation by drawing upon private funding sources. This fiscal privatisation has been complemented by the dismantling of the old administrative network centred around CTEC (Commonwealth Tertiary Education Commission) and the centralisation of control in the new "superdepartment". The centralisation process has been aided by a series of structural reviews that began with the Murray and Martin Reports and has culminated with the White Paper. However, this is not to suggest that there has not been resistance to federal interventions by state-rights exponents, particularly after the Martin Report which institutionalised the binary
system of higher education provision. The Martin Inquiry resulted in the creation of Colleges of Advanced Education (CAEs) to meet Australia's growing need for skilled manpower. The binary system meant that CAEs had an undergraduate teaching mission only and as such, were funded less than the universities. In sum, privatisation in higher education has been reinforced and complemented by the increasing centralisation of control. Consequently, privatisation has occurred, in large degree, without liberalisation.

Chapter Four outlines the conditions under which private institutions in Australia have emerged; that is, the mounting domestic and international pressure "...for more, for a different kind or for better quality higher education service" (Geiger, 1985; 1987). Some of the Australian private institutions cater to overflow demand whereas a smaller number wish to offer a qualitatively superior or "different" service than that offered in the public sector. The focus of this chapter is the Bond University. It represents the most sharply contrasting form of provision and financing to that in the public sector and it is the only private university proposal at an advanced stage of development. Most ventures exist only on the drawing board and may progress little further. Nevertheless, a dual system of private and public provision and financing of higher education, albeit private provision playing a relatively minor role, has been evolving. The public sector remains predominant and, in the main, publicly financed. The small private sector currently draws its funds predominantly from private individuals and corporations. Tuition fees, while high, are likely to play only a small role in covering recurrent costs of the larger private institutions such as the Bond University. Other sources of revenue, for example, real estate development, the tourist potential of the new campuses and R&D projects as well as corporate sponsorship will also be important in some developments.

Chapter Five discusses the relationship between private higher education and government policies. Although the Hawke Government does not propose the privatisation of production, policies such as the export of education services and the advocacy of user pays widen the domain of the market, commodifying higher education and thereby indirectly underwriting the viability of private institutions. The focus of the chapter, however, is the issue of public
Arguments advocating public support have been seen before in regard to the private school system in Australia: private institutions perform functions that are of public benefit and, therefore, warrant public support as it would be wasteful to see them perish for insufficient funds. Considerable political pressure for public subsidy may come from students enrolled in the new private higher education institutions. Furthermore, the option of public subsidy could appeal to budget conscious governments unwilling to meet all student demand itself. Government regulation may, therefore, be necessary in order to impose public accountability on institutions in receipt of government funds. The preservation of academic standards or ethical marketing practices could then become important in public policy towards these institutions.

Privatisation in higher education, therefore, needs to be seen against the background of a decade of no funding growth in higher education, the reintroduction of fees for overseas students, the proposed graduate tax, the new private institutions and a framework of economic thought that favours private initiatives. The change in higher education has been and is away from direct provision towards subsidisation, ending a period of government monopoly of provision in favour of both public and private provision. In sum, this thesis will demonstrate the manner in which the structure of Australian higher education has been restructured through changes in the pattern of financing, provision and regulation.
Chapter One

The post World War Two evolution of higher education has been characterised by increased federal intervention. Intervention, matched with funding growth, was justified primarily on the grounds of producing more research and skilled graduates for social and economic needs. Importantly, higher education was regarded primarily as a public good which was reflected in nominal tuition fees and later, free education whereas recent free market interpretations of human capital theory have provided the basis for policies treating education more as a private good. The perceived failure of free education, institutional expansion or the compensatory programs of the 1970s to adequately improve the educational access of disadvantaged groups in society has provided further scope for the government to impose changes. Furthermore, with the onset of economic recession, the capacity of the federal government to sustain growth in higher education was placed under great strain. Privatisation initiatives are one of the means offered to offset these fiscal constraints. Private funding allows the higher education system to expand thereby stemming the unpopularity associated with unmet student demand.

Hawke Government imperatives for the structural adjustment of the Australian economy and the resurgence of free market ideas of political economy have moulded the policy environment of the 1980s. Tax cuts, the withdrawal of the state from some areas of social provision, subsidisation of private providers and new forms of economic management, have counterbalanced the crisis tendencies identified by writers as various as Offe (1984) and Peters and Rose (1981) which were thought to be leading to ungovernability, class polarisation, fiscal bankruptcy, over-regulation and economic stagnation. To overcome unemployment, a declining trade position and budget overruns, the Hawke Government has stressed export competitiveness, the growth of hi-tech manufacturing and service industries and reduction of the overseas debt. These priorities are reflected in higher education policies which stress skilled
manpower and export of education services that indirectly generate economic growth and ameliorate trade deficits.

It is to the evolution of the Australian higher education system from the mid 1940s to the 1980s that this chapter turns. It is followed by a discussion of the principles underlying government intervention and the changing emphases in policy over the past four decades. In particular, the changing interpretations of human capital theory reflect the movement away from collectivist responsibility for educational provision towards privatisation and a market model of allocation. The last section focuses upon the economic problems experienced by Australia specifically, and theoretical interpretations of the economic and political difficulties facing modern liberal democratic nations more generally.

1.1. From the "Golden Age" to the Age of Austerity in Australian Higher Education.

The post World War Two evolution of Australian higher education and the nature of federal-state relations are important to understand the current difficulties of higher education and the eventual move towards privatisation. Since the Second World War, Australian higher education has been characterised by federal intervention in what is, constitutionally, a state responsibility. From the 1950s to early 1970s, federal intervention was accompanied by massive growth made feasible by the post World War Two era of prosperity in Australia. During the 1970s growth slowed into a "steady state" situation which progressed to severe funding restraint in the 1980s.

Before the Second World War, Commonwealth involvement in higher education was insignificant in relation to the dominance of state governments. Under the Australian Constitution, the universities are independent statutory bodies created by act of state parliaments and the states were responsible for funding them and colleges, although endowments and bequests form a small part of total revenue. (1) This situation was substantially altered in the
post war period when the Commonwealth took a more active role in university affairs. Through the broad powers of section 96 of the Australian Constitution, the Commonwealth is empowered to make grants to the states on terms and conditions it prescribes. The introduction of these grants was more than welcomed by the universities which had languished under the paucity of state government funding. The "bad old days", in Professor Scott's (1985:120) words, were characterised by "...the failure of state governments to respond to a situation of rampant decay" and conditions of "...cramped facilities... dingy gothic buildings, a miniscule library and a minute group of staff trying to offer the accumulated wisdom of the universe". While the Commonwealth came to the rescue in the 1960s, Commonwealth funds have not, in the long run, kept pace with the funding requirements of the system to accommodate demand. Budgetary pressures and economic recession undermined the capacity of federal governments to shoulder sole financial responsibility for higher education.

The long term outcome of federal intervention has been twofold. Firstly, federal governments acquired greater control in the shaping of the higher education system than the states. Secondly, there was a massive expansion of student numbers and institutions. In the period 1946 to 1970 total enrolments in the university sector grew from 26 000 to over 115 000. The number of universities increased from six (plus two university colleges) to nineteen by 1975 (Harman, 1980:5). The "Golden Age" - characterised by growth in funding, students, institutions and federal intervention - began in the 1960s and lasted into the mid 1970s (Gross & Western, 1981). A chart of major developments is provided in Appendix 1.1.

Federal intervention was aided by the use of committees of inquiry reporting to the Commonwealth (Smart & Manning, 1987). In accordance with the recommendations of the Mills Report (1950), Prime Minister Menzies instituted the first triennial grants for universities through the States Grants (Universities) Bill of 1951 and introduced a Commonwealth Universities Scholarship Scheme. The 1950s saw the Commonwealth consolidate its position in higher education planning. The large expansion of student numbers and the growing fiscal power of the Commonwealth vis a vis the states, inextricably bound the Commonwealth into
further support for the universities once it established across the board support through triennial funding. (2) However, federal involvement was marginal until 1956 when the Joint Parliamentary Committee of Public Accounts found that a full inquiry into university funding was needed and urged the formation of an agency to coordinate and advise the Commonwealth on financial assistance. Australia's leading scientists and academics gave further impetus for federal intervention in their lobbying efforts to improve the parlous state of university research (Gallagher, 1982:53; Williams, 1977:124). (3) The high profile of university issues and the extent of stagnation in the sector led Prime Minister Menzies to convene the Murray Committee of Inquiry into Australian Universities (1957). The committee drew attention to the deficiencies in research performance and funding. Despite commitment to federalist principles, the government accepted the Reports financial recommendations and immediate action was taken through emergency grants of £4.5 million over 1958-60.

The Report established future funding guidelines for a partnership between the states and the federal government, arguing that university planning could no longer be confined within the boundaries of one state, particularly as state government funding and fee revenue was inadequate. The establishment of a statutory authority, the Australian Universities Commission (AUC), entailed greater federal interest and involvement in university development. The AUC's role was not only to channel Commonwealth grants to the universities but also to co-ordinate the development of universities into a national system and to provide advice to the government on university funding requirements. The burst of funding enabled the universities to expand into new fields of study and to give greater emphasis to postgraduate training and research. Additionally, the triennial system of assured grants allowed universities to plan for growth.

Yet, by 1960, Commonwealth and State authorities began to recognise the need for further reorganisation. While the university sector had fared well, technical and teacher colleges had not and serious distortions between the two sectors were emerging. Accordingly, the Martin Committee of Inquiry into the Future of Tertiary Education in Australia (1964) was established to address these problems. The Report was critical of the fragmentary nature of the tertiary
sectors, pointing to the inappropriateness of higher education being exclusively associated with universities. It argued for greater diversity in functional differentiation of universities, colleges and teachers colleges. Universities were to be engaged in research and the education of graduate students, to "nourish the specially gifted" (Cowen, 1981:14) while CAEs were to be of a more practical orientation, to "...equip men and women for the practical world of industry and commerce" (Martin Report, 1964:165).

This binary system of educational provision was to be matched by unity of purpose with a national co-ordinating agency (the Tertiary Education Commission), overseeing the balanced development of each sector of higher education and improving the status and standards of the non university sector. However, the Menzies Government was reluctant to enact recommendations that encroached so blatantly on areas of state responsibility. Consequently, teacher training remained the sole responsibility of the states and the TEC proposal was rejected. Instead, an advisory council, which subsequently became the Commission of Advanced Education in 1971, was created with complementary functions to that of the AUC. The universities and colleges were to develop in a separate but parallel manner. With inadequate channels of communication, this situation was to prove unworkable as two sectors could not be co-ordinated into a national system of tertiary education by two separate advisory entities. Furthermore, the colleges developed into areas beyond the Martin Report definition of their functions. The CAE institutions grew large, rivalling the pre-eminence of the universities. They were accused of "mimicking the universities" (Gallagher, 1982:200).

The expansion in the late 1960s of Commonwealth activities not only in tertiary education but also secondary and technical education brought a new realm of administrative duties. The Department of Education and Science was created in 1966. As Smart (1982:24) noted, this act "...gave administrative legitimacy to (the Commonwealth's) growing de facto power in Australian education". It became increasingly difficult for federal ministers to deny funds on the grounds of lack of constitutional responsibility.
While the Liberal Party under Menzies, Holt and Gorton brought about a significant transferral of power to the Commonwealth in the field of higher education funding and administration, their achievements were superseded by the Whitlam ALP Government reforms. Unlike the federalist approach of its coalition predecessors, the Whitlam Government was overtly centrist and reformist. Although there had been considerable expansion in higher education under the Coalition Governments, access remained privileged despite the availability of scholarships. This elitism was a target of the Whitlam Government which honoured its election pledge to assume complete financial responsibility for higher education. Tuition fees were abolished and a means tested student living allowance introduced. Equal opportunity, matched by a significant expansion in federal funding, was to provide an equal start for all qualified individuals regardless of their ability to pay for education. Effectively, these changes marked the end of the (residual) autonomy of universities.

The neglected area of technical and further education (that is, post secondary education that did not fall under the jurisdiction of the AUC or the Commission of Advanced Education) was reviewed by the Kangan Committee (1974) during the Whitlam period. Following the Report, the TAFE system of education was established as an area of joint state and federal funding and was complemented by the creation of The Technical and Further Education Council (TAFEC). To redress the previous decades of neglect, there was an 80% increase on the previous years Commonwealth expenditure for technical education (Smart,1982:27). The Kangan inquiry recommended that technical schools become centres for upgrading personal skills and for personal development but as Spaull (1979:131) noted, in periods of economic difficulty this was discarded in favour of "narrow vocational training".

The Commonwealth's new responsibilities entailed a "...shift in the federal financial balance and a consequential shift in the locus of control..." (Tomlinson,1979:36). This state of affairs was ambiguous until 1973 when neither the states nor the Commonwealth could acknowledge full responsibility for higher education. However, Whitlam's centralisation was not accompanied by a shift in legislative power to the Commonwealth. These powers belong to the states with
the potential for state initiatives to have a destabilising influence on national education planning.

The general trend of expansion in federal funding for higher education was reflected in the primary and secondary education sector. In the early 1960s there was a crisis of survival for a number of predominantly Catholic schools. Fulfilling a 1963 election promise, Prime Minister Menzies established the beginnings of a complex system of Commonwealth funding for private and public schools. These schools benefited from Commonwealth cash grants for science buildings and equipment, libraries and assistance for migrant and special education programs (see Hogan, 1984). In 1969 a system of recurrent funding that entitled every child to a basic per capita grant, regardless of parental wealth, was initiated. A "nexus" of funding between private and public schools meant that increased funding per student increased the flow of federal funds to non government schools. A major boost to federal funding for private and public schools eventuated with the Karmel Report (1973) and private and public schools were drawn into a common administrative framework under the Schools Commission. Under the Fraser Government, 24% of students in non government schools were receiving 56% of recurrent grants from the Schools Commission in 1985 (Smart, et al, 1986:65). This funding encouraged the dramatic growth of the non government schools sector in the 1970s and 1980s, triggering an enrolment drift away from the public schools. With this development and emerging funding constraints, "state aid" to private schools and the so-called "residualisation" of the public schools emerged as a controversial issue (ibid; Marginson, 1985). Unlike higher education, primary and secondary levels of schooling have been characterised by a mixed economy of provision and non government schools have been able to flourish with generous public subsidy. The scope of subsidy, however, has not equalled the complete funding control assumed by the Commonwealth in regard to higher education.

Both the Whitlam and Fraser Governments sought to put the brakes on education and welfare spending with the onset of recession in 1974. Disenchantment with the performance of higher education grew among segments of the public, media and bureaucracy, with accusations of waste and empire building and that more funds needed to be devoted to vocational education.
This general mood "...makes education, as a policy area, more vulnerable than a number of competing areas" (Harman, 1982:166). The 1975 Budget marked the end of prosperity for higher education. Faced with triennial funding recommendations from the three education commissions of over $6 billion, Whitlam sought to rationalise these three bodies into one Tertiary Education Commission (as formerly suggested in the Martin Report, later known as CTEC). Triennial funding was suspended in 1976 and henceforth financial guidelines were issued to CTEC from the Government to prevent the three commissions making funding recommendations which were "...out of touch with economic realities" (Smart, 1982:29). With the reinstatement of triennial funding on a "rolling basis" during the Fraser Government, the guidelines issued by the government to the Commissions via CTEC became increasingly detailed and prescriptive, eroding the independence of both the individual Commissions and CTEC. The commissions were the primary agent in making a case to government for expenditure in each sector. Higher education interests, that is, academics, staff and student associations as well as the Australian Vice Chancellors Committee (AVCC) and Australian Committee of Directors and Principals (ACDP) became increasingly influential in policy and integrated as a source of policy advice in the planning of higher education through the individual commissions. The interests of these groups often intersected and collectively they had considerable pull with the education bureaucracy. CTEC, however, increasingly accrued coordinating powers from the individual commissions. While traditionally seen as a "buffer" organisation, its role has been to implement government policy and to resist and overturn the recommendations of the commissions. CTEC, in short, acted as a bridle on the resource demands of the commissions.

Coming to power on a platform of "New Federalism" and promising to reverse Whitlam's big spending, the rate of growth in budget outlays were curtailed by the Fraser Government (see table 1.1). Education expenditure remained static under Fraser but, importantly, the pattern of sectoral spending altered with a significant redistribution away from higher education, except TAFE, towards public and private schools. Since 1976, resources per student have increased by 50% in primary and secondary schools while there has been a decline in funding of a real 8%
in higher education - 4% in the universities and 11% in the CAEs (CTEC, 1986:5).

Table 1.1 Higher Education Outlays as a % of Total Federal Budget Outlays 1970-88.

<table>
<thead>
<tr>
<th>Year</th>
<th>Higher Education Outlays $M (1)</th>
<th>Total Outlays $M</th>
<th>Higher Education as % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974-75</td>
<td>924</td>
<td>17808</td>
<td>5.2%</td>
</tr>
<tr>
<td>1975-76</td>
<td>1015</td>
<td>21787</td>
<td>4.7%</td>
</tr>
<tr>
<td>1976-77</td>
<td>1212</td>
<td>24015</td>
<td>5.05%</td>
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<tr>
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<tr>
<td>1978-79</td>
<td>1412</td>
<td>28912</td>
<td>4.9%</td>
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<td>1979-80</td>
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<td>31445</td>
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<td>48793</td>
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<tr>
<td>1987-88</td>
<td>2961</td>
<td>78146</td>
<td>3.8%</td>
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Source: FAUSA/FCA (1988:56)

The progression of growth to funding restraint in conjunction with federal intervention has been described by Gross and Western (1981) as the "end of the Golden Age" and the onset of "steady state". Steady state was characterised by stability and what was regarded as a return to normalcy with tighter funding whereas growth was the aberration (see also Harman, et al, 1980). However, to the further dismay of academics accustomed to growth, the higher education system did not remain in a steady state but has been subject to greater strains and stresses with further budgetary restraint.

A significant departure from the Whitlam Government policies in the Fraser period was the emphasis upon vocationalism, especially in the schools. Where the ALP Government had sought to promote equity through education, a consistent theme in the coalition's educational dialogue was that it was responsible for youth unemployment and that curricula ought to be fused to market dynamics (Smart et al, 1986:70). With rising youth unemployment there developed a view of a "growing mismatch between the education system's products and the needs of employers and society" (Smart & Manning, 1986:204). The Williams Committee was
initiated in response to increasing public disillusionment and a perception that the economy may be "hampered by shortages of skilled workers in particular areas of the economy" (Williams, et al, 1979:1). The Committee concentrated on a series of labour market and youth unemployment problems which could not be solved by changes in education policies alone. Consequently, the Report largely justified the status quo and reiterated the functional differentiation between universities and CAEs but unlike preceding reviews, it did not make recommendations for major transformations in post secondary education. Nevertheless, partly as a consequence of the Williams Report criticism of the "over expanded" CAE sector, the 1981 Review of Commonwealth Functions (the Lynch Razor Gang) undertook significant restructuring of this sector whereby the amalgamation of over 30 CAEs was enforced. It was justified as necessary to cut costs and improve efficiency.

As the higher education system became increasingly large, costly and complex, funding dependence has allowed the federal government to refine and strengthen control over the system through firstly, the AUC and then CTEC. While increasing federal intervention has allowed "fine tuning" in accordance with national priorities and rationalised co-ordination and planning, this intervention also created a powerful anomaly. Constitutional responsibility for education lies with the states, and state governments have taken an increasingly disruptive role in regard to national planning and co-ordination by criticising the binary system, creating new private institutions and other state government initiatives. The acquisition of power over the higher education system was never fully resolved by the Whitlam reforms. Funding control did not mean legislative authority and never will, barring the unlikelihood of constitutional amendment.

Defacto federal control of higher education has been further strained by the economic upheavals since 1974, marking the end of what Professor Scott (1987) calls a "planner sovereignty system" in higher education. This system, which Scott dates from the Murray Report, is one in which the government exercises authority through funding control. In current conditions of low economic growth and public expenditure restraint, Scott suggests the federal government is now moving towards a "consumer sovereignty market system" of little central control directing
production and greater responsiveness to student and industry demands. With burgeoning student demand, the escalating financial needs of universities and CAEs and a budget conscious government, the market mechanism has become increasingly appealing. As Scott indicates, "privatisation of research funds, of tuition costs, of the intellectual capital of staff and of whole institutions is seen to be the way of the future" (1987:53) in a consumer sovereignty system. Unlike Professor Scott, however, this thesis argues that privatisation has been complemented by increasing central control and co-ordination with only pocket areas of "consumer sovereignty".

The next section outlines the principles that have buoyed state intervention in higher education funding and provision. In circumstances of recession and fiscal restraint these principles have been eroded by a free market interpretation of human capital theory that provides the basis for education to be regarded as a private good and as a commodity which, therefore, need not be entirely funded and provided for by government.

1.2. Principles of Federal Intervention in Higher Education

Government interventions into education, health and natural monopolies in Australia and elsewhere have emerged from what most economists would recognise as a case of "market failure", that is, when the private returns of the service are insufficient in relation to investment, or if consumers are ignorant of the benefits of private investment. As a consequence of market failure, the welfare of society is not maximised. To overcome under-investment in education, government subsidy becomes justified in order to reduce "the direct cost of education to the investor to the point at which it is low enough in relation to the private return for the investment to be attractive" (Nurick, 1987:91). Market failure does not necessarily imply government production and financing of education, instead, "parents could be supplied with education specific state grants" (Blandy, et al, 1979:119). Market failure is not a sufficient condition for the total intervention of the Commonwealth.
In defence of public expenditure and production, education is often characterised by welfare economists as having the qualities of a public good, such as defence, which provides an indivisible benefit to society as a whole. Since everyone benefits equally or no-one benefits, individuals have no economic incentive to invest directly in education. This claim is supported by the existence of consumption generated positive externalities. "An externality is defined as occurring whenever economic activity on the part of one individual or organisation affects the welfare of some other individual not party to the activity" (Hind, 1979:68). Thus the benefits accruing to society from education include the universal benefits flowing, for example, from literacy and medical research. Consequently, the social benefits of education have generally been regarded as exceeding the private returns and that without public subsidy there would be under-investment in education to the detriment of society as a whole. (6) Education can also be seen as a merit good; that is, "individuals sometimes cannot fully appreciate the "merit" of goods without first consuming them" (Freebairn, et al, 1987; Roth, 1987:11). The distinguishing feature of merit goods is that the recipients benefit from the provision of such goods to a greater extent than they themselves believe. Because people would not voluntarily buy such goods, the government often intervenes, ensuring that the true "merit" of education or other services is recognised by enforcing compulsory schooling or providing free higher education. (7) Government expenditure on education partly rests on a paternalistic political view of the need for the populace to be educated whether or not they want to be.

Politically, the most potent defence of universal subsidies to health or education has been the equity argument. To give educational opportunities only to those who could pay the costs, preserving and exaggerating existing inequalities of income, would exclude many underprivileged but academically competent students. The ideals embedded in publicly provided free education are too numerous to be addressed here, but the policy allows everyone from the community to be enrolled irrespective of wealth, status, religion or ethnic background, supposedly promoting egalitarian attitudes, tolerance and social solidarity. Similarly, public provision has allowed governments to adjust education policy with industry and labour market policy, to promote certain forms of research and improve social mobility.
There are doubts about the social value of free education (Parish, 1987; Freebairn et al, 1987). Free market critics argue that education is not a public good because the individual graduate is the primary beneficiary in terms of improved prospects in income, status and lifestyle. Secondly, they argue that the benefits of higher education are widely understood in the community and that more people do not seek entry because they choose not to do so or they are prevented by government imposed quotas. Thirdly, positive externalities are regarded as negligible, or unmeasurable, in contrast to the much greater accretion of benefits to the individual. Social arguments that education combats poverty and ignorance have also not been fully realised. There is disillusionment and a cynical belief that education,

...merely serves to classify and certify individuals according to their possession of natural abilities and traits valued by employers, (and) its private benefits may exceed its social benefit (Freebairn, et al, 1987:92). (8)

While the access of women, minorities and mature age students has been greatly improved, on the whole, universities and CAEs remain socially elite institutions despite the abolition of fees. Free higher education, therefore, represents a redistribution of wealth from the poor to the middle classes through the tax system. The growing credibility of these arguments has provided an avenue for the current federal government to embark on its reform agenda. The reform process has been aided by a free market interpretation of human capital theory.

Proposals to introduce user-pays systems to finance education are grounded in an individualistic interpretation of human capital theory. The re-emergence of free market human capital theories and its influence on Australian education policies has been analysed in detail by Marginson (1986b, 1987b & 1987c), however, the theory is of sufficient importance as the basis of commodification and privatisation in education to warrant further clarification. Human capital has been a central concept in the formulation of education policies although subject to varying degrees of emphasis in relation to other political priorities such as equal opportunity. The concept is not limited to education, but applies also to health and migration. It is important, however, to note that there is no one "human capital theory" but a variety of versions.
Education is generally seen to have the qualities of both private and public goods but it is argued here that there is currently greater emphasis in policy on private returns.

The foundations of the theory lie in Adam Smith's "fourth element" of the "fixed capital of society", that is, "...the improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it cost a certain expense, repays that expense with a profit" (quoted in Marginson, 1987c:15). The central idea of human capital theory is that expenditure on education is investment in human capital and of the same utility as investment in physical capital. Education becomes a process of individual investment in future earning power in which wage differentials are supposedly founded on different levels of education and training. There are also social returns.  
...the social rate of return measures the benefits that are enjoyed by society as a whole, compared with the total resource costs of education, whereas the private rate of return includes the direct benefits that are enjoyed by the individual, compared with the costs which are borne by the individual or his or her family (Woodhall, 1987:6).

The Hawke Government emphasizes both the social and private rates of return; the social rate in relation to the formation of a highly skilled workforce and the private rate when arguing the appropriateness of user-charges.

Sympathies towards government intervention and expenditure during an era of economic prosperity allowed human capital formation to be viewed as a public responsibility. Policy makers and economists emphasised the social rates of return on investment in education and training. Both the Murray and Martin Reports stressed the need for public investment in higher education and the returns educational investment generated in pure and applied research as well as a skilled workforce. This approach was complemented by meritocratic methods of access, that is, the talent or ability of individual students, backed up by scholarship schemes, were a primary determinant of entry to higher education rather than solely the capacity to pay. However, meritocratic forms of access did not take into account the influence of race, class and
gender as barriers to participation and accordingly, more advantaged groups benefited the most. Individual "merit" does not overcome the class origin of students or the way the education system is organised as having a structurally selective impact on educational access. Recognition of these structural constraints were behind the Whitlam Government's universalist policy of free higher education and equality of opportunity. The objective was to make competition between individuals more fair. This approach leaves "class relations substantially as they are, but allows "disadvantaged individuals greater opportunity to advance within this class structure" (Worrall & Condon, 1987:13). Free higher education, buoyed by student assistance, was the pinnacle of policies that treated education as a pure public good. The public good argument has since waned with arguments that higher education also has the qualities of a private good. In this paradigm, the distribution of education should be based on individual utility, that is, students should pay for the enjoyment and benefits derived from education. Class constraints can be overcome through individual initiative in forgoing income and taking out a loan to pay tuition fees as investment against future earning potential (see, Finn, et al, 1978).

The neo-classical individual investment model is the foundation of arguments in favour of privatisation and deregulation of educational provision and financing. As a subject of public policy, the student is transformed from the "the liberal educational subject to the liberal economic subject" (Marginson, 1987c:1). Correspondingly, education is seen less as a public good and more as a service of private benefit. The penetration of free market values into higher education policy is, thus, a qualitatively new development. The free market ethic is not the only influence upon policy, but it has been increasingly predominant, diminishing the principle of "merit" as the value system determining access to education and challenging the public good interpretation that justifies full public subsidy. The free market, human capital agenda on higher education implies no role for government in education financing and provision as there are no social benefits of education that are not attributable to individuals. The benefits of education are measured as monetary returns to the individual while the social rates of return are regarded as unmeasurable. In its undiluted form, the free market interpretation of human capital as a site of investment in a private good, is the ideological and intellectual foundation for privatisation in
higher education. The growth of private schools, universities and training institutions where access is regulated through exchange in the market place, that is, through fees and loans, or a graduate tax repayable against future earnings, is its practical application. Developments such as these widen the domain of market exchange in higher education and make inroads on state co-ordination of the system.

The current ALP Government has partially adopted the free market, human capital position into its policy initiatives. One of the concerns of a number of ministers has been to improve skills formation whereby "education and training will play a vital role in productivity performance, directly conditioning the quality, depth and flexibility of our labour force skills" (Dawkins & Holding, 1987:4). While the federal government has committed itself to a wider distribution of resources, promising to maintain public spending, it has also stated that "individual beneficiaries of training will have to carry more of the load" (ibid:19). This view is in direct contrast to the universalist principles of the Whitlam Government. The free market perspective has captured the framework of debate while the egalitarian viewpoint has become an increasingly distant ideal. The Hawke Government espouses the rhetoric of equality and access in its promises of expansion and assistance for disadvantaged students, while at the same time using neo-liberal arguments that cast education as a private good which must therefore be (partly) paid for by the student. Some, such as Yeatman (1988:39) would argue,

The current Hawke Government has been brilliant in inducting us all into the rhetoric of participation, equity and access. Unfortunately by masterful modelling, it has inducted us into a symbolic manipulation of this rhetoric rather than into real, practically oriented strategies of how to implement these values.

At the same time that education is depicted as a private good to be paid for through user charges such as graduate taxes and fee-for-service research and consultancy undertaken by academics, the federal government is also able to stress the social returns of investment in a more "flexible and responsive labour force (and) high quality research and development" (Dawkins, 1988b:iii). The free market version of human capital theory consequently, complements both the desire to
cut public expenditure and to promote structural adjustment. The danger, however, is the assumption that investment in human capital will have tangible economic returns.

(Investment) may have a substantial pay off at some stages of the development process while at others its impact may be negligible in terms of other development options... Failure to recognise this caveat has lead to overly simplistic educational policy prescriptions. In fact, rather than constituting the key to economic and social development, education might be properly regarded as a component in a jigsaw puzzle whose linkage with other pieces is as yet obscure (Foster, 1987:94).

The role of education in economic development is highly variable over time and instrumental attitudes towards particular forms, such as the vocational disciplines, do not always generate the desired returns. (9)


The structure of the Australian economy has been partly influenced by the emergence of the new international division of labour - NIDL (see Frobel, et al, 1980 for a discussion). The NIDL is an organising concept that explains the internationalisation and disaggregation of production as the result of technological advances in communication, transport and disassembled production processes. This has allowed multi-national companies to relocate industries, or specific parts, to areas where cheaper labour or other factors of comparative advantage provide prospects for higher profits. Although qualified by political considerations such as regime stability and security alliances, NIDL is characterised by greater global specialisation of the production processes. The structural changes in the world economy have allowed the rapid industrialisation of Asian economies such as Japan, and more recently Hong Kong and Korea, the government's of which have pursued outward looking, export oriented industrialisation strategies and thus have been able to take advantage of the internationalisation of production and attract multinational investment. The implications for Australia of this global form of capital accumulation, which has tended to be geographically specific, has been the increasing import
penetration of low wage, labour intensive manufactured goods from Asia. One outcome has been import competition with Australian protected manufacturing industries.

In the international marketplace Australia has fared badly as a trading nation. Prior to the 1980s, governments followed a policy of import substitution industrialisation. As a result of protectionist policies, the manufacturing sector in the 1960s began to experience a decline, arising from the saturation of the domestic market, import competition and the reluctance of domestic capital to extend its interests into export activities. The resultant unemployment has not been totally absorbed by the rural, mining and services sectors which are, aside from the services sector, also shedding labour. Additionally, declining profit rates were translated into low rates of reinvestment in research and development (R&D) and capital stock (EPAC, 1986a). Lastly, the lack of domestic and international competitiveness of Australian manufacturers has resulted in high levels of protection and a declining trade performance relative to other countries (Ferris, et al, 1985). The poor performance in the export of manufactures and services is of particular significance as world trade has grown fastest in these areas whereas growth in commodities trade has been static by comparison. Despite some diversification in the 1960s from agricultural products towards minerals, Australia lost ground in the international marketplace with Australia's share of world export markets declining from 2.6% to 1.2% over the thirty year period to 1985 (Dawkins, 1985b:2). This decline reflected the concentration of Australian exports on primary products. The purchasing power of Australia's commodity exports such as iron ore, beef, bauxite, nickel and wool have been able to command less and less in terms of imports of manufactured goods such as computers, cars, sophisticated machine tools and so forth. Since 1970 Australia has had to average a 3% increase in exports to pay for the same volume of imports (ibid). This situation is a significant contributing factor to Australia's increasing vulnerability to world market forces and severe balance of payments problems. To restore equilibrium in the balance of payments, imports must - in the long run - be offset by exports. (10)

With a tradition of protectionist policies and an export profile that is dominated by basic
commodities, Australia has not secured a prosperous niche in NIDL. Whether Australia can be propelled into a prosperous niche in the international economy has been the focus of domestic debate for a number of years (cf, Crawford, et al, 1979; Kasper et al, 1980; Crough & Wheelwright, 1982). Adjustment is both an international and domestic problem, however, the assymetries of economic and political power in the international system suggest that Australia's capacity, as a small economic power, to influence the international economic order is structurally limited (see Higgott, 1987). Domestic adjustment on the other hand, is an area of greater control for governments providing scope for either defensive (in the sense of protectionist) or offensive economic adjustment policy. The Hawke Government has chosen an offensive path of domestic structural economic adjustment, that is, encouraging domestic producers of goods and services to expand into export markets as a means of enhancing economic growth, employment and, hence, living standards. As Castles (1988:159) has said, "export competitiveness is the be all and end all of economic policy". Structural adjustment has been accompanied in the political domain with the consensus seeking policies of the Accord (see Stilwell, 1986). Through the Accord, the government has been able to engineer a real decline in wages supposedly to release resources for investment in new industries. Davis et al (1988:32) have described the greater business and labour links with the Australian state and the growing importance of industry policy as the "new interventionism" in public policy, that is,

... the promotion of strategic state policies to stimulate economic growth, a reliance on "guided" market forces including "deregulation" initiatives by the state and the introduction and co-ordination of industrial policies to preserve established industries and generate new industry expansion.

The nature of domestic structural adjustment has serious bearing on education policies. Education has been targetted as an area in which Australia possesses comparative advantage. The export of education has become one source of securing an increased revenue as part of the services component of exports, rectifying the balance of payments problem. Similarly, the education system has been identified as the means to generate skilled manpower for hi-tech manufacturing growth and further contribute to structural adjustment. In contributing to the
process of structural adjustment, other social and educational goals of public higher education have become secondary to the economic priorities of government, and slowness to reorient the system or even an incapacity to meet these priorities, have led to attacks on the accountability of higher education prompting the government to intervene in a more heavy handed manner.

The decline in economic performance has also interacted with an ideological movement away from collectivist thinking towards more individualist values in policy with a withdrawal from universal provision of public goods to market forms of allocation (see Girvin, 1988; Kuttner, 1987). Intellectual trends are important, as the views and philosophies that inform public policy have implications for the higher education system. The intellectual shift in social policy, while currently influenced by neo-liberal and free market ideas, is characterised by a convergence of political analysis on the malaise of the democratic state with recurring themes of fiscal crisis, government overload, paternalism and political legitimacy. This convergence has been noted throughout the intellectual spectrum; from neo-Keynesian economists (Heald, 1983), social democrats (MacPherson, 1987: ch. 5), public policy analysts (Wildavsky, 1985: 259) to neo-marxists (Block, 1987: 170; Heuglin, 1987). The outcome is a profound disillusionment with the welfare state (Mishra, 1984: 133). While explanations differ, general scholarly agreement on the failings or shortcomings of the welfare state "reinforces the claim that the privatization of welfare is an idea whose time has come" (Papadakis & Taylor-Gooby, 1987: 19). These analyses provide theorisation and scholarly justification for policies which challenge welfare principles which have added force in periods of economic recession. Privatisation consequently appears as an inevitable solution in response to changed economic and political circumstances.

Economic recession created a "political market for bold solutions" (Bosanquet, 1984: 86). Modern day liberals have filled the vacuum with their advocacy of the virtues of the market. Yet, liberalism does not represent a new theoretical response to social democracy; it is merely a reassertion of liberal political economy with its stress on economic individualism and laissez-faire economics. Social democratic values favouring state provision and subsidy faced a crisis
of confidence as evidence of bureaucratisation, paternalism, inefficiency and ineffectiveness of the welfare state mounted. While the Whitlam Government was informed by a universalism of provision with services provided on the basis of need, the more recent free market and monetarist perspectives have "...reflected a new spectrum of values - of freedom rather than equality, individualism rather than community, efficiency rather than justice" (Ranson & Walsh, 1985:13). The ideological shift in social and economic policy has bearing upon the content of policy by institutionalising the perception that the provision and/or financing of goods and services are as much an individual responsibility as a collective responsibility.

The main intellectual challenge to Keynesian and social democratic policies has come from the ranks of the classical liberals who are the strongest element of the social and intellectual movement known as the New Right. To a remarkable extent, monetarist and free market economists have set the intellectual and political agenda (see Clarke, 1987 for a discussion of the UK experience and in Australia, Maddock, 1982). The political success of monetarism was that it targetted inflation rather than unemployment as the prime economic evil. The most important implication of this economic philosophy is that the role of government should be neutral. If, as the monetarists argue, the economy is inherently stable, then government intervention is destabilizing. Any failures in the regulative role of money in combatting inflation and unemployment can be attributed to institutional or political barriers against the unfettered operation of market forces. Herein lay monetarism's connection to liberal economic values; that is, belief in monetarism "constitutes a necessary but not sufficient condition for the structure of liberal ideology" (Barry, 1987:42). Other components of economic liberalism lay in the free market ideas of Adam Smith and classical liberalism which have been adapted to advanced capitalism by the New Right. There is not, however, a unified New Right view although its thinkers lie in the common tradition of western classical liberalism. In the New Right dialogue there are a number of recurrent themes: of economic individualism, competition and entrepreneurship; of the capture of politicians and public servants by interest groups, and of the inviolability of private property and individual responsibility. These themes will be collectively referred to as neo-liberalism.
Economic individualism is based in traditional laissez-faire economics where the best ordered economy is one in which scope for individual choice is greatest and the scope for government responsibility is smallest. Government intervention is seen as inefficient, monopolistic and uncompetitive disrupting the equilibrium between supply and demand that free markets are supposed to achieve. In economic policy competition is encouraged, that is, "...to allow a free unregulated market in labour, capital, goods and services and therefore to reduce the direct role of the state to a minimum" (Davies, 1985:28). Intervention upsets the equilibrium of the market. Unfettered markets and limited government supposedly maximise prosperity and liberty better than any other known alternative. Another school of economic liberalism - the Austrian School of theorists - is not so hostile to monopolies and does not have the same faith as neo-classical economists in perfect competition and the inherent stability of markets, but sees capitalism and the functioning of markets as a process of innovation. They argue that economic productivity and living standards rise through constant efforts of entrepreneurs to make a profit whereas central planning is flawed because the modern economy is too complex and extensive for any planner to have sufficient knowledge to make the correct decisions (See Green, 1987 & Barry, 1987 for a discussion). In other words, this school "emphasises how the market allows individual entrepreneurial initiative to prosper and perceives this as a dynamic element of change rather than seeing the market in static context of the full and efficient allocation of resources" (Fine & Harris, 1987:377). The crisis of the state, therefore, is that capitalism sets the stage for its destruction not as the marxists would argue, because it has failed, but because it has been too successful. Affluence has undermined the profit motive on which productivity depends. Affluence, public expenditure and the welfare state, at the risk of caricature, has lead to moral collapse and the decline of innovation.

The public choice school of theorists apply some of the methods of economics to the study of political behaviour (see Self, 1985 for a discussion). In essence, this school argues that people will tend to maximise their own utilities (Ashford, 1985:37). This perspective emphasises political self interest of politicians in getting re-elected, civil servants in bureaucratic empire
building and interest groups in securing subsidies, protection and sinecure. The network of interests consolidate and legitimise government spending with a greater upward pressure on expenditure and greater inclination of government to intervene. Public choice theorists argue that "government failure" - analogous to market failure - prejudices the political process in favour of big government and in the interests of the organised few against the interests of the unorganised many. Government intervention leads to over-supply of public goods and bureaucratic expansion to the detriment of the efficient functioning of the economy.

Libertarianism supports laissez-faire capitalism on moral grounds and is most clearly associated with the minimal statism of Nozick (1974). Nozick's theory of individualism was rights based and against any form of collectivism that sacrificed individuals to social ends. The state is depicted as coercive, infringing on property rights and destructive of freedom through government interventions to redistribute wealth via the welfare system and taxation. The inviolability of legitimately acquired private property is fundamental to libertarianism while the market contract is the essence of freedom. The legitimate function of government, therefore, is to uphold the property rights of individuals and maintain law and order. If the government steps beyond this point it loses its legitimacy. From this perspective, state intervention is unjust as it infringes upon the autonomy and rights of the individual.

The common theme in neo-liberal thought is faith in the market as a superior mode of resource allocation, a commitment to individualism and anti statism, a hostility to collectivism as well as antipathy to privilege and special dispensation to groups. In general, mainstream neo-liberals do not question the existence of the state. It is accepted as a necessary component of society but it is considered to be overgrown and intrusive. The market, by contrast, represents the two values of efficiency and liberty. Economic individualism and competition are, thus, favoured as the means to prevent the emergence of any single centre of power.

Another influential theory explaining the malaise of modern democratic states has been the overload thesis which portrays the state as enmeshed in contradictory demands.
As governments take responsibility for solving more problems... the weight upon the political and administrative machinery grows. If much more public regulation is required (as it is), bureaucracy becomes less liked and popular compliance weakens. Pressure groups increase the demands upon governments. Additionally, or alternatively, economic changes and conflicts squeeze governments within a vice of contending pressures which they cannot resolve (Self,1985:5).

Social and economic problems have been translated into political demands and bureaucratic programs that have caused the costs of government to rise much faster than the GDP. Overload is thus seen as the consequence of Keynesian economic stimulation. Once recession is over, governments have been unable to curtail expenditure and disengage themselves from the demands of vested interests. Government thus grows "big".

Ungovernability is a consequence of "exaggerated demands" and over-regulation and it leads to economic stagnation. Additionally, affluence and education have spawned an "adversary culture" among intellectuals and the media, delegitimizing authority (Wildavsky,1985). Participation through pressure group activity replaces "healthy" political apathy halting social adjustment.

Because of its universalistic commitment to social safety and equity, the welfare and intervention state reduces the incentives to work; and because of the fiscal burden and regulatory constraint placed upon the market economy, business lose its incentive to invest. The main consequences are economic decline and fiscal crisis...(However), pampered by long periods of prosperity, industrial societies have developed post materialist values, leading them to resist necessary adjustment to leaner times and to expect too much from their governments (Heuglin,1987:237).

From the overload perspective, democracy is a source of ungovernability. Rising expectations, conceived increasingly as rights or "entitlements", generated by competing interest groups or parties and encouraged by the legitimation of a more socially responsive and interventionist state, results in the overload of state bureaucracies. Corporatism becomes a more rational mode
of planning than participatory decision making. With the increasing complexity of the economy and politics, the state moves from a facilitative to a directive role. It is a new method for providing the conditions of successful private accumulation. Corporatism "seeks to 'depoliticise' public policy and defines issues as 'technical' or 'scientific', thus reducing the scope of legitimate participants and public accountability" (King, 1986:127). Corporatism undermines the political participation of all interested groups, but provides greater manoeuvrability for government in economic policy. Neo-marxists also argue that corporatism is an attempt by the state to resolve its legitimacy crisis and offset civic unrest but differ in arguing that corporatism is the continuation of capitalist domination through new means, that is, "... a state mediated strategy of reducing "excessive democracy" and government overload by limiting the number of legitimate participants in economic policy making" (Heuglin, 1987:261).

Neo-marxists (Offe, 1984; O'Connor, 1973; Wolfe, 1977 & Habermas, 1975) do not focus upon overload but on the structural contradictions of the capitalist system. Overload is seen as a symptom of the contradictions of the state, not a cause. O'Connor (1973) sees the growth of the state not as detrimental to the state but functional to accumulation, although subject to fiscal crisis. Fiscal crisis is the tendency for government expenditure to outtrace revenues. Thus state spending on "social capital" such as public health, R&D, highways and infrastructure raises productivity. On the other hand, "social expenses" such as welfare and law and order are unproductive but necessary to maintain order and the legitimacy of the system. For O'Connor one of the more expensive tasks undertaken by the state has been funding the costs of R&D, training and education. These costs have been socialised by capital in the form of public education and publicly funded research, military and (in the USA) space programs. With rapid technological change, the state has come to co-ordinate and fund these activities as the costs of R&D and education are too high for units of capital to individually bear and there is uncertainty for individual companies in getting utilizable results or skills from their investment. Public financing and provision has relieved capital of enormous outlays for new teaching and administrative personnel, libraries and research institutions but has brought new burdens for state and federal budgets. The only way to ameliorate the fiscal crisis of the universities and
colleges, according to O'Connor, is to place the production and distribution of education on a more "efficient" basis. This includes abandoning traditional liberal arts disciplines and substituting vocational education. The essence of "reform" is to reorder and modernize curricula to ensure that every youth has a marketable skill. Another response to the crisis is the introduction of user pays systems and commodification of the skills of academics through consultancy companies or university research companies as new sources of revenue.

For neo-marxists in general, social and economic stability of democracies requires the state to maintain the contradictory conditions for accumulation and legitimacy. The state sustains the private appropriation of resources and intervenes into the economy regulating pollution and working conditions, devising employment policies and providing infrastructure, becoming integral to the productive process. While intervention in production, such as providing public services of education, health, housing or consumer protection meets public expectations, it also usurps private exchange, challenges the ethic of private enterprise and conflicts with capital's concern for economic freedom. According to Held & Krieger (1983:488), "...pressure for intervention is contradicted by capitalist's concern for freedom of investment and their obstinate resistance to state efforts to control productive investments - seen for example, in efforts by business to avoid 'excessive regulation'". In seeking to preserve the dominance of capital by defraying some of the costs of production, the state nevertheless, erodes capital's power by imposing regulatory constraints and non market principles of exchange. The ideologies of the market, that is, profit maximisation by individuals acting in competitive isolation with minimal state interference, conflicts with ideologies fostered by state interventionism, that is, collective goals and action.

The supremacy of the market is further eroded by legitimacy requirements in the political system. As political power is largely determined through democratic elections, governments are obliged to meet the legitimate needs of citizens through welfare spending and other forms of social provision. Welfare spending, however, is dependent on the healthy functioning of the economy and, in times of recession, it impinges on the processes of capital accumulation,
investment and commodity exchange. The state encounters a legitimacy crisis as investment and full employment is a crucial condition of "mass loyalty" to the welfare state and, indirectly, a vital source of revenue (Keane, in Offe, 1984:15). Furthermore, welfare cuts cannot be realized because of the pressure of interest groups to maintain or increase public spending and intervention. Inability to meet these demands is another aspect of legitimacy crisis. The state consequently encounters planning dysfunctions and policy ineffectiveness arising from fiscal constraints and excessive or conflicting demands. This position is disputed below.

While the theoretical foundations of marxists, neo-liberals and overload theorists, and their explanations are at odds, many of their conclusions are similar. All three approaches exhibit a concern with generating economic growth as a reason for making welfare more of a private responsibility. Although the welfare state is "indirectly productive" (Gough, 1979) for capital, concern with state spending fuels pressure for reduced spending. The problem of political legitimacy is another theme where all approaches suggest that government promises more than it can deliver. Neo-liberals locate legitimacy problems in the incursion of the state on the autonomy of individuals or associations. Neo-marxists and overload theorists see a fundamental contradiction between capital accumulation and the requirement for public spending. All three perspectives point to evidence that much state welfare redistributes resources towards the better off and the more organised or powerful groups of society. The failure of redistribution to remedy inequalities in society provides ammunition for the neo-liberals to argue the welfare state is failing. For overload theorists and neo-marxists the distortion of redistributive principles occurs through corporatist structures which favour the more organised and powerful interest groups over others. The public choice theorists take a slightly different tack in arguing that politicians and bureaucrats are captured by their constituencies where votes are exchanged for bureaucratic patronage. The last area of agreement concerns the paternalism, bureaucracy and unresponsiveness of the welfare state. They all locate crisis tendencies in the welfare state, envisioning state withdrawal and funding cuts, as well as having a pessimistic attitude towards the outcomes of welfare. The welfare state is in danger of losing its mandate because it cannot meet public expectations, is starved of funds and
overrun by bureaucracy. The result is disenchantment with the welfare state and "the call for privatization is an attempt to staunch the flow of disquiet" (Papadakis & Taylor-Gooby, 1987:25).

The notion of privatisation is timely and accords with theories of government overload, neo-marxist accounts of crisis and neo-liberal thinking on the role of the state. While neo marxists are not supportive of privatisation, it is nevertheless seen as an attempt to combat fiscal and legitimacy crisis by reimposing the commodity relation of exchange in areas of social provision. For government the problem is to avoid being held accountable for its strategies of crisis management where an accumulation crisis is mitigated by cutting back social expenditure. Higher education has been targeted as one area of restraint. Nevertheless, it is still subject to contradictions as "education has to find a way of serving capital's needs in this economic crisis without abandoning its pretence of offering equality of opportunity" (Barlow, 1986:34). Similarly, once overload is seen as the root of economic stagnation then the appropriate reform strategy is the elimination of inefficient or ineffective public activities to release resources into the private sector. Privatisation is one of the means to cut down the size of government.

Privatisation is also a key strategy in neo-liberal reform agendas of free market political economies (see Levitas, 1983). As a former Liberal spokesperson on education has argued, …privatisation is about making the system sensitive to what consumers want rather than what governments and bureaucrats find convenient. It is about creating incentives for efficiency and optimal standards of service where at the moment there are none, it is about throwing out drab sameness and conformity which is part and parcel of goods produced by highly regulated, monopolistic concerns (Shack, 1986:35).

For neo-liberals and free market economists privatisation is a means of reducing the scope of the state, eliminating bureaucracy and promoting efficiency and competition. As Collins (1987:53) notes, it is a "complete strategy for political order".
Policies to reduce government intervention have been propagated through some of Australia's burgeoning independent policy research institutes such as the Centre for Independent Studies (CIS) and the Centre of Policy Studies (CPS). The policy planning organisations have, in part, created the intellectual agenda within which both the ALP Government and the LP-NP Opposition are seeking redirections in policy. The advocacy of small government, deregulation, market incentives and lower taxes becomes self perpetuating;

If the claim is made often enough, and by a sufficiently wide range of prominent spokespeople, debate is radically constricted as any views falling outside "the agenda" are ruled out of order, and anyone expressing them is said to be dangerously out of touch with reality (Maddox & Hagan, 1987:29).

Overload, permanent political and economic crisis and ungovernability appear to have been arrested by the management strategies of Western democratic governments of the 1980s. In retrospect, the legitimation crisis thesis, or the notion that "big government" produces political instability, would appear to be overstated. The Reagan and Thatcher Governments, which have been greatly influenced by economic liberalism, (see Kuttner,1985 and Papadakis & Taylor-Gooby,1987 respectively), for example, have curtailed public expenditure and rationalised state intervention in social and economic affairs through privatisation, deregulation and withdrawal without provoking a damaging political backlash. In similar fashion, the Hawke Government has also managed to balance economic concerns with public expectations of living standards, and bring about substantial changes without electoral defeat. Through nationalistic appeals of the need for sound economic management and "belt tightening", political support has been maintained. Legitimation crisis has been averted by securing the support of the middle and working classes through policies such as the promise of future tax cuts which outweigh discontent associated with public spending cutbacks. As Sawer (1982: xii) noted, legitimation crisis has not occured in Australia because of the shift in the political consensus, partly engineered by neo-liberal thinking. It involves,

...a dramatic lowering of expectations concerning what governments can do...

a revolution of falling expectations that has precluded the kind of legitimacy crisis
which welfare cuts were supposed to produce. While rearguard action by labour in key areas of the economy has inhibited some wage and salary cuts, there has been no equivalent resistance to the erosion of citizen rights such as welfare rights, access to education, health care, housing and other community resources. In Australia, the federal government has also been able to use the federal system to devolve onto the states any residual crisis of expectations.

The withdrawal of the state in financing or provision in favour of the market deflects responsibility for social outcomes on the market. The federal government has not only cut higher education spending over the past decade but has also begun to push some of the costs onto the individual users. This has been justified by picking up a neo-liberal theme that public goods such as education, health and housing are also of private benefit and therefore should be financed, to some degree, by the beneficiary. It is the "user-pays" logic.

This chapter has focussed upon pre-Hawke Government trends in higher education in relation to a changing global and domestic context. Concurrently, there has been change in the ideological framework of Australian society from acceptance of broad welfare provision and government intervention in the economy to a situation where there is criticism of "big government" and cynicism in the capacity of governments to effect beneficial social and economic change. The following chapter focuses on one policy approach, that is, privatisation, which in many respects encapsulates these changes. The applicability of privatisation as a process by which to understand some of the changes that have been, or could be, enacted in higher education is further delineated in the next chapter.
Chapter Two

Privatisation: The Penetration of Market Ideology in Public Policy.

The term "privatisation" did not come to prominence until the 1980s when the UK Conservative Party began enacting its privatisation policies. It is an umbrella term that describes government policies aimed at transferring responsibility for certain activities to the private sector through sale, tender, withdrawal or other means. This chapter discusses the meaning of privatisation and outlines the policies it encompasses in relation to higher education and also more generally. A four part categorisation of privatisation is employed throughout the remainder of the thesis and includes: a) the privatisation of financing; b) the privatisation of production; c) denationalisation or "load-shedding", and d) liberalisation (Heald, 1983:299). In the context of this thesis, the privatisation of financing includes the introduction of tuition fees and/or graduate taxes, as well as a reduction in the level of direct or indirect subsidy to higher education. The privatisation of production involves "contracting out" production of goods or services which remain financed by the public sector. Education vouchers also fall in this category. A form of load-shedding in education occurs when the public sector is "diluted" by the entry of private initiative or when government encourages the emergence of private institutions. Liberalisation in education entails the relaxation of regulatory controls on expansion, price levels, borrowing, wage levels, terms of employment and so forth which allow administrators a "freer" environment in which to conduct affairs.

The wider privatisation debate in Australia has revolved around the sale of major public enterprises such as Qantas and Telecom. By comparison, the private provision or financing of welfare has hitherto been relatively unimportant, and has been marginalised from the debate. As a consequence, there has been a slow and almost invisible process of privatisation in the education sector. The cutbacks in public funding, the introduction of various user-charges and subsidies to private providers are not referred to in official circles as "privatisation". Yet, the outcome of policies which enforce private contributions to higher education funding do transfer some funding responsibility to the private sector. Public subsidies to the private sector,
encouraging private sector activity at the expense of the public sector, can also constitute privatisation by fostering a dual system of private and public higher education.

Among the pressures or rationales for privatisation are an ideological agenda to reduce the size of the state, efficiency concerns, fiscal constraints, and lastly, a desire to improve equity and choice for consumers. All these rationales have relevance to privatisation in Australian higher education but are given different emphasis by different actors in the debate. For the Hawke Government the impetus for efficiency and public expenditure restraint are the major reasons. The Hawke Government is not engaged in a crusade to "roll back the state" but has adopted privatisation as a pragmatic response to the difficulties of raising capital funds for major public enterprise. The Hawke Government is rearranging the form of its interventions, not reducing government presence through privatisation.

While the focus of this chapter is upon education, the wider applicability of privatisation to all government activities is taken into account. Indeed, the bulk of the privatisation literature is concentrated upon public enterprise to the neglect of welfare and other public services. Even so, the literature dealing with the wider political economy of privatisation does have relevance to transformations in the Australian higher education system. Arguments in favour of market incentives are often applied universally across public sector activities.

2.1 The Problem of Definition.

In its literal sense privatisation is the transfer of state ownership, financing or control of public sector activities to the private sector. It has been defined broadly as "any shift in the balance of responsibility for making decisions in relation to the production, distribution and exchange of goods and services from the public to the private sector" (Howard, 1986a:7). Commentators usually define privatisation in terms of what it is supposed to do. Pirie (1985b:3), for instance, argues that, "...privatization controls the public sector by gradually replacing it.... a means of systematically reducing the public government directed part of the economy... which recognizes
that the regulation that the market imposes on economic activity is superior to any regulation...". Australian economist, Robert Albon (1986:4) describes privatisation as an "approach to public enterprises involving the substitution of 'market discipline' for bureaucratic control". Albon, like Pirie, sees privatisation as a means of introducing competition and reducing the role of the state in economic and social affairs. Steel and Heald (1984:13) regard privatisation in political terms reflecting "a political commitment to 'roll back the public sector' and to 'free market forces'" while Kay and Thompson (1986:18) regard privatisation as a means of "changing the relationship between the government and the private sector". Frequently, however, the term has been applied in an indiscriminate manner, making it a poorly defined concept for analytical purposes. As Flynn (1988:295) has recognised, economists tend to place emphasis on the transfer of production to non-public organisations whereas "social policy analysts" identify privatisation more broadly as the application of market principles to welfare provision and/or the transfer of responsibility of welfare provision from the state to the informal or market sector. (1) Furthermore, some sociologists use privatisation to mean a specific set of attitudes found among the "new working class" of affluent industrial workers. Privatisation is a condition in which traditional proletarian attitudes (occupational cohesiveness, community and collectivism) are displaced by calculative, instrumental values of individualism and family centredness. (2) Although these phenomena and the concepts are interlinked this study takes the second, broader definition of privatisation. In the Australian privatisation literature, the first, more limited understanding of privatisation has dominated.

In the Australian higher education literature, "privatisation" was rarely used until the mid 1980s. As Anwyl and Jones (1987:ix) note,

In so far as "privatization" was used over most of the previous decade (and it was seldom used) it was mainly in the context of the recurring debates about student finance, especially living allowances, loans and fees... By late 1986 privatization was entrenched in higher education jargon with usage extending to very different meanings...
The term was applied in an ad hoc manner to a number of new phenomena on the higher education scene: to non government funding of research, the full fee degree courses for overseas students (McCulloch & Nicholls, 1987), the founding of a private sector alongside the public sector and to the decentralisation of public responsibility (Kenway & Blackmore, 1988).

(3) In short, privatisation, as it applies to education, has not been adequately categorised.

As a policy prescription, privatisation has also come to embrace too many distinct instruments and policies to be a sufficiently well defined term of analysis. Similarly, breaking it down into a list of methods of privatisation also produces difficulties. Pirie (1985b), for instance, has identified twenty two methods of privatisation (see table 2.1). The point of Pirie's catalogue, however, is not to advocate the utility or popularity of a particular method but to demonstrate the diverse avenues through which privatisation can occur.

Although Pirie has successfully delineated the specific character of privatisation in differing circumstances, the list is too unwieldy as the basis of analysis. It is essential to identify the major components of privatisation while keeping in mind both the distinctions and interactions of these components. The categorisation of privatisation that has widest currency in the Australian literature (see inter alia, Wiltshire, 1987; Howard, 1986a &b; Hughes, 1986; Trengrove, 1987 and Walsh, 1987a) is David Heald's (1983:299) model. Heald's model is superior because it is simple and its four components can be applied to the higher education context. There is another model, originating from LeGrand and Robinson (1984:3; see also, Flynn, 1988; Cranston, 1987:279) that has three components matching the ways in which governments become involved in economic and social activity. First, government becomes an economic actor through its powers to spend, tax and borrow using its revenue to subsidise, wholly or partially, the consumption of a good or service. Secondly, governments control economic activity through regulation, that is, stipulating legally binding conditions on the quality, quantity, price and/or conditions under which a good or service is produced, exchanged or consumed. Lastly, government can engage directly in the production of goods or services through either government departments, statutory authorities or public incorporated companies.
The methods of privatisation are the obverse of the way governments intervene into the economy. It is simply the "reduction in provision, subsidy or regulation or any combination of the three" (Hughes, 1986:3).

**Table 2.1 Methods of Privatisation.**

<table>
<thead>
<tr>
<th>Method</th>
<th>Examples (some real, some hypothetical)</th>
</tr>
</thead>
<tbody>
<tr>
<td>selling the whole</td>
<td>100% of Qantas or University of Queensland.</td>
</tr>
<tr>
<td>selling complete parts of the whole</td>
<td>Q-Search (R&amp;D co. of Qld Uni); OTC of Telecom</td>
</tr>
<tr>
<td>selling a proportion of the whole</td>
<td>50% of Qantas; share issue of Telecom stocks.</td>
</tr>
<tr>
<td>selling to the workforce</td>
<td>Employee share purchases, worker buy-outs of Qantas.</td>
</tr>
<tr>
<td>&quot;giving&quot; to the public</td>
<td></td>
</tr>
<tr>
<td>&quot;giving&quot; to the workforce</td>
<td>Worker co-operatives.</td>
</tr>
<tr>
<td>charging for the service</td>
<td>Overseas Student Charge; Higher Education Administration Charge; tuition fees,</td>
</tr>
<tr>
<td>contracting out</td>
<td>Research grants to private institutions; private garbage disposal; contract cleaning or catering</td>
</tr>
<tr>
<td>diluting the public sector</td>
<td>Public-private joint ventures</td>
</tr>
<tr>
<td>buying out existing interest groups</td>
<td></td>
</tr>
<tr>
<td>setting up counter groups</td>
<td></td>
</tr>
<tr>
<td>deregulate via voluntary association</td>
<td>Self regulation of real estate agents, car dealers,</td>
</tr>
<tr>
<td>encouraging alternative institutions</td>
<td>Bond University, financially independent</td>
</tr>
<tr>
<td>making small scale trials</td>
<td>Free trade zones</td>
</tr>
<tr>
<td>repealing monopolies</td>
<td>Australian two airline policy, telecommunications, postal services</td>
</tr>
<tr>
<td>encourage exit from state provision</td>
<td>Subsidy to private schools, private health insurance tax concessions</td>
</tr>
<tr>
<td>vouchers</td>
<td>Proposed Liberal Party Higher Education Scholarships</td>
</tr>
<tr>
<td>curbing state powers</td>
<td>Revoking state powers to inspect property</td>
</tr>
<tr>
<td>divestment</td>
<td>Sale of unused equipment, property</td>
</tr>
<tr>
<td>applying liquidation</td>
<td>Allowing public hospital to go bankrupt in order to force closure</td>
</tr>
<tr>
<td>withdrawal</td>
<td>Abolition of QANGOs</td>
</tr>
<tr>
<td>right to private substitution</td>
<td>Consumer choice of private or public, with service paid out of public funds.</td>
</tr>
</tbody>
</table>

Adapted from: Pirie, (1985a)
For the purposes of understanding privatisation in Australian higher education, a three part model is unsatisfactory. (4) The category of privatising production does not distinguish between asset sales and secondly, production that is undertaken in the private sector but remains publicly financed. The sale of a university, or part of it, differs substantially from a voucher system or contract teaching and research in the private sector. Heald's model, outlined below, takes this difference into account.

1. Privatisation of the financing of a service or good which continues to be produced by the public sector.

2. Privatisation of the production of a service, known as contracting out, which continues to be financed by public funds.

3. Denationalisation and load-shedding, meaning respectively, the selling of public enterprises and the conduct of hitherto state functions to the private sector, both involving transfers of activity from the public to private sectors.

4. Liberalisation, meaning a relaxation of any statutory monopolies or licensing arrangements which prevent private sector firms from entering markets previously exclusively supplied by the public sector.

Yet Heald's model is not perfect. Category 3, denationalisation, does not convey how a private sector in Australian higher education has emerged. To accommodate this particular process, resort to Pirie's methods of privatisation is useful in broadening Heald's model. Dilution of the public sector through new private initiative, or the encouragement of alternative institutions entails the privatisation of production by transferring responsibility for service provision. This modification does not overturn Heald's model, it only expands it in order to cut a better fit with higher education experience. These methods of privatisation and their application to education are outlined in greater detail in the next four sections.


Levying charges against the users of public services is an alternative to financing goods and services through taxation. With the onslaught of budgetary stress, there has been an increase
in the level of charges such as for legal aid (Lightman, 1987), medical prescriptions or health insurance (Gray, 1987) and public transport along with an extension in the scope of charges, at both federal and state levels. Efforts to increase the budgetary surplus and finance tax cuts, combined with increases in demand for public services and welfare has required new forms of revenue to sustain public provision or, alternatively, a reduction in expectations engineered to justify cutbacks. The substitution of charges for tax finance is thus a move towards privatisation as it pushes the costs onto certain private individuals instead of all taxpaying citizens and corporations.

In higher education privatised financing can take a number of forms ranging from full or nominal fees, a graduate tax, the private funding of research and charges for other institutional services. Since the Australian federal government is currently the sole financier of higher education, there are numerous alternative funding sources. Not only user-charges, alternative funding includes contributions from business (endowments, industry levies, cadetships, the ACTU's proposed National Training Fund), state government funding and the commercial activities of higher education institutions. These alternative funding sources are fully addressed in chapter three.

A less visible form of privatisation in higher education is to reduce the level of direct or indirect subsidies. Woodhall (1977:328) has identified six methods of direct subsidy to higher education.

1. direct subsidy to institutions to eliminate or reduce fees,
2. direct subsidy to students in the form of grants to cover fees and/or living expenses,
3. direct subsidy to selected students in the form of means tested grants or scholarships,
4. direct subsidy to students in the form of guaranteed loans at below market rates,
5. direct subsidy to students in the form of specially provided part-time paid employment, or provision of meals and accommodation at below market rates,
6. direct subsidy to parents, or to graduates, in the form of tax concessions for educational expenses.
In Australia there is a direct subsidy to institutions to eliminate fees, while Austudy (formerly known as TEAS) provides an additional grant to means tested students for living expenses. Privatisation can, therefore, entail either the reduction of the subsidy or switching to a less extensive form of subsidy. An example of the former is the decline in value since 1974 of TEAS and tighter eligibility criteria (Gruen, 1982). Switching to a less extensive subsidy would involve moving from Austudy to a student loans system. Indirect forms of subsidy include concessions such as the non taxable status of educational institutions and tax incentives such as the 150% R&D grant. Reductions in subsidy impose a greater burden for the costs of a good or service upon both the producer and consumer.

2.1.2. The Privatisation of Production.

The public financing of a good or service does not require it to be produced in the public sector. There are a range of alternatives, generally referred to as "contracting out", where one organisation contracts with another for the provision of a particular good or service... it has come to refer more specifically to the purchase of an end product that would otherwise be provided "in house" by the purchaser (Ascher, 1987:7).

Contracting out is consequently, not a new phenomenon to either the public or private sector. Services that have been contracted out by both state and federal governments in Australia include window cleaning, computer systems advice and maintenance, bus transport and bridge building. Contracting out has concentrated on contract production (such as the NSW government's Sydney harbour tunnel project) and grant provision (such as the provision of farm subsidies or grants to the arts) both of which are external to public production and control. The type of contracting out that has produced union unrest involves contract cleaning, catering, secretarial, computing and consultancy work, formerly provided by an internally employed workforce. Competitive tendering has become a controversial method of forcing an in house workforce to compete against private sector bidders. The primary motivation "is to cut government costs by employing more economically efficient private vendors" (Moore, 1986:61).
Vouchers are another form of privatising the provision of goods and services, for example, food stamps or petrol coupons. It is a form that is more explicitly associated with educational provision. A voucher is a coupon of prescribed purchasing power financed out of general taxation which is given to a student to be redeemed at an institution of their choice. They are a form of government subsidy but of a direct and decentralised nature. Instead of replacing public supply, choice for the consumer is widened through access to either private or public institutions. The purpose is to shift the locus of control of education to the student and family by establishing a market for educational services. Educational enterprises compete for voucher holding students. In theory, the profit motive would operate to make schools or tertiary institutions more accountable to the wishes of consumers thereby resulting in increased educational diversity and efficiency. Institutions unable to attract enough voucher holding students would not survive.

This system was first proposed by Milton Friedman (1962) and has attracted considerable academic attention (see Seldon, 1980). However, practical experience with the scheme is piecemeal with inconclusive and insufficient empirical data to either refute or support the claims made for education vouchers. (5) It is further complicated by the different interpretations and applications of the term voucher (see Blaug, 1984 for a discussion). For instance, vouchers can be limited only to public schools or made redeemable at private schools as well. They can be designed to provide access to any institution regardless of its costs, or may cover only a proportion of costs. Private institutions may have higher running costs and insist upon cost fees and students may therefore need to supplement the value of the voucher. Additionally, the value of the voucher could be related to income or means tested so that a government may pursue a policy of assistance to poorer families, otherwise it can be of uniform value. Furthermore, a government may choose to restrict vouchers to only those institutions it authorises, for example, those with open enrolment criteria that do not discriminate on the basis of race, religion or such like. Consequently, government involvement in the management of a voucher system can be extensive or it can be limited merely to issuing the voucher.
If a voucher was supplementable, it would privatise some of the costs of education. A voucher system would encourage the emergence of private educational producers only in the sense that a voucher could be "cashed in" at a private institution, as well as a public one. This would not replace the public system but would foster a dual system of public and private suppliers, both receiving support from the government. However, the value of the voucher concept for the neo-liberal is not so much that it would widen the scope for the privatisation of production, but that vouchers would enhance freedom of choice and promote competition.

Where there is genuinely open competition in the supply of a particular good or service, it matters little whether government is involved in production because each consumer has the opportunity to choose from amongst a range of similar products the one which best matches his or her preferences... (Hogbin, 1987:13).

Vouchers, in the above view, privatise choice. Economic decision-making is decentralised to the individual allowing him or her to choose a private institution. Correspondingly, the incentive for the supplier of the service to accommodate consumer preferences is enhanced because of new competitive pressures. However, government influence may not be reduced if "the actual extent of government influence, in terms of what government is doing, remains largely unchanged" (Howard, 1987a:281). Government presence may remain pervasive through its regulatory control or power to attach conditions to the award of contracts or vouchers.

2.1.3. Denationalisation and load-shedding.

Denationalisation usually means the sale of public sector enterprises. The Thatcher Government's concentration on the privatisation of the public market sector is evident from the profile of its sales. Prominent examples are the sale of the Rover Group subsidiary, Jaguar, as well as British Telecom and the National Bus Company. The reasons for the predominance of asset sales may be the ease of selling an independent unit within the public sector and is also due in some measure to the hostility of conservative British MPs to the nationalised industries (see, for eg., Beesley & Littlechild, 1986; Moore, 1986) and current weakness in the trade union movement.
There has been only one example of true denationalisation in Australian higher education, to date. Melbourne University is in the process of floating fifty per cent equity in its Graduate School of Management to a non profit company (Canberra Times, 19.12.1988). In other words, the University is selling a complete part of its operations, with assets of $12 million, to the private sector to be administered by a board of management outside the university. Where there is no scope for moving existing public operations to the private sector, it may be desirable to have maintenance and expansion undertaken by the private sector. The outcome would be to lower the proportion of public sector activities in the economy without dismantling its current operations. Capital shortages present problems in public sector extension of welfare services and the injection of private capital can relieve the public purse without adding a burden on the taxpayer. However, only those welfare activities of the public network which are in continuously high demand, such as health services - especially old age homes and geriatric care - would be renewed or extended. For private capital to develop or renew public facilities it has to seek returns through customer usage. Pirie (1985b:53) identified technology or industrial parks as a means of channelling private funding into state run universities for R&D or other projects. Such parks develop formal and informal links between private business and the higher education system. Another example is the emergence of "hybrid" higher education institutions. (6)

Through co-operative arrangements with public education institutions, education services can be provided through institutes operated jointly by private and public interests: for example, a public higher education institution may sell it's services to a privately owned campus. Such institutions will be in competition with the public system but there is, in theory, no transfer of activity away from the public to the private sector. Instead, private initiatives of this kind increase the absolute level of resources committed to higher education, alleviating the pressure upon the government to build more universities or colleges. Consequently, mixed private-public institutions have cost saving advantages but still allow government intervention.
The decision to finance publicly should be distinct from the decision to produce publicly. The state will be involved through subsidisation and through helping entrepreneurship by others... (Bosanquet, 1984:68).

Hybrid institutions fall into two institutional categories in the higher education context (McCulloch & Nicholls, 1987). Firstly, there are those - henceforth referred to as hybrids - which contract on a commercial basis a public institution to provide staffing and an accredited degree course on a privately owned and controlled campus. Secondly, there are joint ventures - referred to as semi-private - where a public institution provides accredited degree courses and staffing and, in addition, has staffing and academic control over the semi-private institution as a second campus, despite it being privately owned. These arrangements can also be conducted off-shore.

Not surprisingly at this juncture, the implications of the emergence of these institutions has been given little attention (but see Stone, 1987). Yet, since there is substantial investment in the operation of the private campus by the public education institution, a number of issues arise regarding the government-hybrid relationship. What would be the federal and state government responses, for example, if a hybrid campus were to go bankrupt? Furthermore, if the federal government were to provide explicit subsidies, or even indirect subsidies such as student grants, would the government take closer interest in the management of these institutions? A new range of issues emerge when public monopoly gives way to public regulation. These issues are addressed in Chapter Five.

Another form of dilution is the encouragement of private bodies to establish themselves in areas monopolised by public supply. Unlike hybrids which continue, in large degree, in the public system of provision, these alternative institutions are outside public sector control and supposedly provide access to innovative thinking (Watts, 1987b; Economic Concepts, 1987). Additionally, such institutions are argued to bring the prospect of new employment. Being fully private, however, they are unlikely benefit from public finance or subsidy. As Pirie noted, "taxpayers who wish to acquire the services of these bodies will have to as consumers
for a service they have already paid for as taxpayers" (1985b:62). Nevertheless there are other avenues of support that government can utilise to encourage the development of these institutions, such as patronage and recognition of their status as legitimate alternative institutions.

The Australian exemplar of an alternative institution is the Bond University on the Queensland Gold Coast. Political patronage came in the form of the Queensland State Government Act of Parliament which bestowed university status on the development. There are also other institutions on the drawing board - the Tasman University and University Notre Dame of Australia, amongst others and not all of which have received state or federal encouragement. These institutions may lobby government for subsidy along similar lines to the private school lobby in Australia while the relevant State and Commonwealth ministers may regard the private sector within their parliamentary purview and, therefore, subject to some kind of surveillance.

2.1.4. Liberalisation

The final dimension of privatisation is liberalisation (or deregulation as it is more commonly known in the USA). It is the removal or relaxation of statutory barriers that prevent the private sector from competing against the public sector or of regulations that specify the composition or level of output, the quantity produced or certain minimum standards that must be observed. A major part of the privatisation debate, therefore, is the extent to which government influence and control over the production, distribution and exchange of goods and services should be opened up to competition of other producers and suppliers. Hence, it applies to both the private and public sector, and is not contingent on the transfer of ownership or funding responsibility from the public to private sector. Consequently, it is possible to have liberalisation without privatisation, and privatisation without liberalisation.

Many of the costs associated with regulation must be internalised in a firm, leaving the market to make the appropriate price adjustments. In the higher education system, mandatory
regulations impose costs which, as one professor ruefully notes, is not compensated for by increases in Commonwealth funding.

...in particular those involving anti-discrimination, health and safety, building codes, animal welfare and freedom of information... This imposed shift of resources from education and research to social aims is not trivial: it amounts to $1 000 000 annually at the University of Sydney (Sternhall, 1987:55).

Universities and colleges, however, cannot pass these costs onto the consumer. A whole host of regulatory agencies have emerged, consequently, there are further legal, administrative and compliance costs. As Moran (1987:154) has argued, "regulation typically involves both costs and benefits by interposing itself between producer and consumer". In tune with the precepts of the Austrian School, regulation imposes long term dynamic costs, lowering the rate at which society develops its resources. Liberalisation is thus closely associated with the desire to promote competition, efficiency, diversity and institutional autonomy. (7)

The most notable case of deregulation in Australia, to-date, has been that of the financial system (see Pauly, 1987). The situation prior to which was described as "a cosy club like atmosphere in retail banking, (r)estrictive trade practices applied, with uniform conditions and terms of trade" (Drake & Nieuwenhysen, 1988:118). Seventeen new banks were permitted entry to Australia. The regulatory environment of education, however, is more social in nature by regulating "...the quality of schools through an inspectorate... (and) the quantity of education provided by, inter alia, compelling children to attend school..." (LeGrand & Robinson, 1984:3). Public authorities have been able to maintain such control as they own and operate the majority of schools, colleges and universities. Even in the private school sector in Australia, there is supervision of standards by state government inspectorates. Regulation supposedly produces a higher education system that is "rigid and inflexible" (Porter, 1988:7) arising from centrally arbitrated salary scales, a tenure system that protects employment regardless of academic or teaching performance, centrally determined funding for courses and limits on student enrolments that do not reflect demand.
Chapter Two
Privatisation: The Penetration of Market Ideology in Public Policy.

The term "privatisation" did not come to prominence until the 1980s when the UK Conservative Party began enacting its privatisation policies. It is an umbrella term that describes government policies aimed at transferring responsibility for certain activities to the private sector through sale, tender, withdrawal or other means. This chapter discusses the meaning of privatisation and outlines the policies it encompasses in relation to higher education and also more generally. A four part categorisation of privatisation is employed throughout the remainder of the thesis and includes: a) the privatisation of financing; b) the privatisation of production; c) denationalisation or "load-shedding", and d) liberalisation (Heald, 1983:299). In the context of this thesis, the privatisation of financing includes the introduction of tuition fees and/or graduate taxes, as well as a reduction in the level of direct or indirect subsidy to higher education. The privatisation of production involves "contracting out" production of goods or services which remain financed by the public sector. Education vouchers also fall in this category. A form of load-shedding in education occurs when the public sector is "diluted" by the entry of private initiative or when government encourages the emergence of private institutions. Liberalisation in education entails the relaxation of regulatory controls on expansion, price levels, borrowing, wage levels, terms of employment and so forth which allow administrators a "freer" environment in which to conduct affairs.

The wider privatisation debate in Australia has revolved around the sale of major public enterprises such as Qantas and Telecom. By comparison, the private provision or financing of welfare has hitherto been relatively unimportant, and has been marginalised from the debate. As a consequence, there has been a slow and almost invisible process of privatisation in the education sector. The cutbacks in public funding, the introduction of various user-charges and subsidies to private providers are not referred to in official circles as "privatisation". Yet, the outcome of policies which enforce private contributions to higher education funding do transfer some funding responsibility to the private sector. Public subsidies to the private sector,
In the higher education context, liberalisation entails less Commonwealth or state intervention in the affairs of universities or colleges, that is, a decentralisation of power to fully autonomous institutions allowing them to determine their own discipline areas or follow their own staffing, salary and admission policies free from Commonwealth directives. Likewise, the relaxation of monopoly powers, such as conferring a university statute upon private operations allows the entry of competitors into what would otherwise be a public monopoly.

2.2 The Objectives of Privatisation

Advocates of privatisation base their support on an amalgam of ideological, political and economic arguments whereby privatisation enhances individual freedom, improves efficiency, makes the public sector more responsive to the needs of consumers and decreases the public debt. These objectives are not always achievable or compatible. Drawing upon the UK and Australian academic literature, as well as the speeches of Australian public figures, the major goals of privatisation and their relevance to education policies are outlined. Neo-liberals tend to place greater emphasis upon privatisation as the means to cut back the presence of government and liberate individual choice. Others, notably free market economists, stress the role of privatisation in promoting efficiency and competition. The Australian ALP Government, on the other hand, has emphasised the potential of privatisation to raise revenue and overcome capital shortages for major public enterprises. Although different interests favour particular goals over others, these outcomes are often inter-related and not necessarily mutually exclusive. Privatisation has consequently been subject to the criticism that the multiplicity of objectives indicates that the policy lacks a clear rationale or purpose. As Kay and Thompson (1986:19) have suggested, "the outcome is that no objectives are effectively attained, and in particular that economic efficiency - which is at once the most important of these and the most difficult to attain - has systematically been subordinated to other goals". As noted elsewhere, of the Thatcher government's privatisation policy,

The basic fact is that the government does not have defined and identifiable objectives... Privatisation is supposed to achieve a number of objectives, some of
which are conflicting. The use of privatisation to increase efficiency may conflict with its use to raise revenue for the Treasury... The government, whether consciously or through ad hoc policy decisions, is implicitly weighing and trading off these objectives - it has to make choices. This means that the eventual policy is a hard to define mix of objectives, and this in turn implies that none is fully and adequately achieved (Veljanovski, 1987:18).

Government objectives in pursuing privatisation can (and have in the case of the UK) change over time. This has the advantage of conferring significant political advantage to a privatising government. As Wiltshire (1987:29) has noted of the UK experience, ...because the privatisation programme has a multiplicity of objectives it is easy for the government to shift ground when any one is not achieved, and to argue that the other objectives are the more important.

The lack of a well grounded set of objectives in privatisation policies leads some observers (e.g. Schott, 1987:1) to depict privatisation as an "ideological crusade" than as rational public policy.

Neo-liberals favour privatisation because it "reassigns decisions from government employees to individuals buttressing individual liberties and fostering a more democratic society" (DeAlessi, 1987:24) whereas state ownership and regulation encroaches upon individual freedom by appropriating the rights of individuals to choose when and how they will dispose of their wealth. Citizens are compelled to pay for an education system they might not want while government monopoly provision severely restricts individual choice. Privatisation has been marketed as serving the interests of the consumer cum taxpayer in that the cost savings of "more efficient private enterprise" will be passed onto the consumer, there will be an improved standard of service resulting from competition and the private sector is more responsive to consumer demand by providing greater diversity. "The key word is choice. Advocates claim that privatization will enlarge the range of choice for individuals" (Starr, 1987:131). As the Leader of the Opposition, John Howard, has said, government support of private schools is a form of privatisation and by "giving increased help to those parents, governments enable them to choose to use private educational resources rather than public educational resources"
However, if private higher education institutions confer degrees that are similar in content and design as that publicly provided, offering no comparative advantage for graduates in the labour market, there is no expansion of choice, merely a different provider. The extension of choice can be illusory if it is a choice between similar goods.

Privatisation often reflects a particular view of what government should or should not do on the part of the advocate. Grounded in preconceived notions of individual freedom and economic efficiency, is the implicit view that there is too much government or that it has involved itself in activities in which it should have no part (see Butler, 1987:9). Privatisation, on the other hand, is the means to curtail public spending and the power of interest groups who have captured the public sector and have vested interest in its expansion as well as to promote economic efficiency. If propositions about the need for economic efficiency and individual freedom are accepted, the extension of privatisation becomes desirable in almost any circumstance. The careful balancing of the merits of public or private ownership, of the financing or control, or for the desirability of competition, on a case by case basis, is not needed.

Privatisation can also be a means to boost capitalism and inculcate an entrepreneurial ethic within society, that is, the "recapitalisation of capitalism" (Walker, 1984:280). This is captured in the view that "sales of equity can create large numbers of equity holding individuals who have the potential to rejuvenate private entrepreneurial activity" (Buckland, 1987:244). Additionally, spreading the ownership of wealth more widely, giving people a direct stake in industry helps remove the distinction between owners and workers.

The sale of houses should produce changes in attitude, even political behaviour, even voting habits... Giving and selling shares in enterprises to workers turns them into owners and makes them less susceptible to union influence. (Wiltshire, 1987:25).

Yet, wider share ownership in the UK has been promoted at the cost of high transaction costs, reducing revenue gains. The strategy has not been entirely successful as the durability of individual shareholding has been low. Individuals have sought quick returns and have sold their equity which has concentrated in the hands of the large financial institutions in the UK.
Of equal importance in privatisation debates has been the quest for improved efficiency. Efficiency, in an economists understanding, has two dimensions; allocative and productive efficiency. Allocative efficiency occurs if resources can be reallocated without making somebody worse off and has two main requirements;

...one is dynamic: producers should constantly seek to find out what goods and services consumers want and exploit technological advances to provide consumers with new goods and services that they will appreciate. The other requirement is that prices should generally reflect the marginal costs of production. This ensures that when the benefit of a good or service is high relative to its costs, it will not be under-supplied; and when cost is high relative to benefit, it will not be over-supplied and resources wasted (Abelson, 1987:301).

A number of conditions must hold if efficiency is to be attained. All individuals must have perfect knowledge of goods and services available; they must aim to maximise their utility; there must be no externalities inherent to production or consumption; perfect competition between buyers and sellers exists, and all producers must act as profit maximisers. The breakdown of such conditions provide the starting point for a theory of market failure and justification of government intervention. Productive efficiency requires that output be produced at least cost. For instance, the failure to adopt or maintain best practice techniques in the production of goods and services results in inefficiencies because more inputs than are absolutely necessary are used in the production process. This concept of efficiency focuses upon the internal dynamics of an organisation - the behaviour of employees, internal organisational structures and response to external pressures. In the higher education context, therefore, the pursuit of productive efficiency has been evident in reviews investigating tenure and conditions of employment, the allocation of resources between disciplines and/or research, and teaching and internal management structures (see CTEC, 1986; House of Representatives, 1988).

In this paradigm, the welfare state is allocatively inefficient because it supposedly encourages a wasteful use of resources as well as damaging the incentive of individuals to work and save
Users of universally provided services, including higher education, come to demand more of a service than if they were charged real costs. As a consequence demand is likely to exceed supply. Waiting lists (for hospital beds) and quotas (for entry into medical school) become necessary as a rationing device. Further inefficiency results as some people with high valuations of a particular service and willing to pay will be excluded if there is not a private alternative. On productive efficiency, Domberger and Piggott (1986:148) argue there are three reasons why public sector management is not cost efficient. Firstly, there is no clear cut profit objective. Where there are no ultimate sanctions on poor performance such as job loss, bankruptcy or takeover, productive efficiency is not essential to the survival of the enterprise. Secondly, public enterprises are assigned a number of conflicting objectives which are not conducive to cost minimisation; for example, social welfare objectives and policies to "Buy Australian". Lastly, the incentive structure for public sector management is inefficient as neither earnings nor tenure are related to any measure of performance. Advocates of privatisation argue that private ownership restores incentive to promote productive efficiency. The evidence of the innate superiority of the private sector is, however, inconclusive (Ascher, 1987; Saunders, 1987). Indeed, it is unwise to compare and judge performance on one criterion of efficiency or profitability when public enterprise is obliged to secure a number of social objectives. The concept of efficiency has a public policy dimension and hence, public enterprise is often not comparable to private enterprise because of the pursuit of fundamentally different objectives.

Refuse collection has been virtually the only area of the contracting out literature subject to extensive independent evaluation. Five major cross sectional refuse studies comparing the alternative modes of service provision in different cities came to somewhat different conclusions; two studies showed that contracting out was cheaper than in-house provision, two found no significant cost differential while the fifth found in house provision to be the cheapest (Ascher, 1987:15). Another case study into the contracting out of refuse collection in New York has also argued that the efficiency and cost-cutting potential of privatisation is limited (Bailey, 1987:143-44).
contracting out bus routes or vouchers for vocational training, has not been able to indicate one way or the other, the superiority of public or private provision. Different kinds of service providers, regulatory environments and the nature of demand have dictated differential patterns of public or private provision.

There is, however, the potential for efficiency losses through privatisation. Economies of scale may be lost (Bailey, 1987). For instance, the fragmentation of education services could have the effect of imposing higher per student fixed costs for facilities and services across a number of private providers than for one public provider. There are also costs associated with a failed program of privatisation where there is a deterioration of service quality or bankruptcy. As the service or good was previously publicly supplied, there is likely to be strong political pressure for government to guarantee continued delivery of goods by a) subsidising the private producers; b) buying out the private producer; c) absorbing costs (physical relocation, administrative and legal costs) of transferring the client to another private producer, or d) accommodating the client in the public sector. Another potential inefficiency of privatisation is the duplication of services, infrastructure and administration. Public subsidy to encourage consumers to enter the private sector in education or health, for example, entails a burden for the public budget which partly funds the infrastructural and recurrent costs of two parallel systems. This can result in the under-utilisation of the public sector and the waste of previous social investment. It is also financially tempting for a government to sell a monopoly, which generally obtains a higher price in the market than companies subject to competition. British Telecom, for example, was sold with its regulatory protection largely intact. Yet, "exchanging a public monopoly for a private monopoly affords no economic advantage" (Hughes, 1986:11) in terms of efficiency through competition. Privatisation in an uncompetitive environment is, therefore, not likely to have efficiency gains unless it is complemented by competition and liberalisation. This is the view of most economists (see inter alia, Albon, 1986; Schott, 1987; Domberger & Piggott, 1986). In a deregulated climate, entrepreneurs would supposedly have greater scope for initiative, management would take risks and would be free from the political interference of ministers while competition would prevent monopoly and its abuses.
Despite the potency of economic theories that efficiency is enhanced in a deregulated or privatised environment, there appears to be a continued need for regulation after privatisation (see Heald, 1985; Veljanovski, 1987; Mansfield, 1987). Privatizing a service doesn't leave the government without responsibilities for "...issues of public safety, public health and quality of service will arise...(requiring the) licensing of higher education facilities" and other service providers (Bailey, 1987:148). As a result costs will be incurred, publicly and privately with regulation. Privatisation accompanied by regulation has the effect of substituting one form of government intervention for another, leading Veljanovski (1987) to argue that in the wake of privatisation the "protective state" emerges.

Privatisation can perform another vital function for government by reducing the public sector borrowing requirement (PSBR) and generating new sources of revenue. Denationalisation of a public enterprise has the effect of removing future borrowing requirements of that enterprise from public accounts. As a financial indicator, the reduced PSBR has the superficial appearance of reducing the size of government, relieving government pressure on capital markets and interest rates, as well as alleviating budgetary stress (Wiltshire, 1987:8-9). Monetarists see a high PSBR as "crowding out the private sector for it, "...pushes up interest rates, increases national debt and uses scarce capital that the private sector could use for more productive purposes" (Bolkus, 1987:7). Through denationalisation it is believed that the private sector is no longer "crowded out" on the money market, hence opening the way to productive investment and economic growth.

Public sector unionists (Robson, 1986; Mansfield, 1987) refute the argument that privatisation reduces the PSBR. They point to international comparisons of economic performance and the size of the public sector which indicate that there are no apparent links between the size of government or extent of spending and the economic performance of the private sector. Indeed, Bolkus has argued that privatisation actually increases the PSBR;

...the purchase of privatised borrowings has meant large scale offshore borrowings
in Britain, adding to the national debt. Even more illusory is the effect of selling government assets and the loss of future revenues is exactly the same as a government issuing bonds to raise money. The result is an increase in the PSBR (1987:7).

Furthermore, the dividends currently returned to the Australian federal government by Telecom and Qantas, for example, may be greater than the potential for future company tax from private ownership. Similarly, Domberger and Piggott (1986:154) consider that revenue from asset sales could be illusory. If the sale value of the company is equal to the present value of its expected public ownership profit stream, then the process of privatisation does not allow the public sector to increase its net worth, particularly, as Heald (1985), Prosser (1986) and Kay and Thompson (1986:28) note, if the sale price is too low.

Government's have rarely claimed revenue generation to be an objective. Yet, if the UK government was committed to increased efficiency rather than revenue generation, then it would be less likely to sell monopolies (Thomas, 1984). The imposition of charges on hitherto free services, such as entry charges to national galleries, tuition fees and other charges, also constitutes a form of revenue raising and an alternative to tax increases. The most frequent justification of charges is that those who personally benefit from a good or service that is publicly provided, to the exclusion of other groups, should pay for it rather than being subsidised. It places the burden of financing back onto the individual rather than the community as a whole. Increases in charges or the introduction of new fees allows governments to maintain public provision while also reducing taxes but could also be used to increase government spending on other programs or to reduce public debt. In the UK, the funds have gone into consolidated revenue rather than be earmarked for capital investment in new public assets. This process has been referred to as "selling the family silver" where, ...
...the government is pocketing the proceeds of privatisation to enable it to offer taxation cuts at the next election and to shore up areas of public expenditure that become political before an election...(and) the money is also used...to lower the official public lending borrowing rate statistics and so demonstrate in a superficial
way that the government is taking pressure off the private capital market and reducing the size of the public sector (Wiltshire, 1987:91).

As the middle classes tend to be the main users of the welfare state rather than the truly poor, privatisation has been cast by critics of the welfare state as a counter to the negative redistribution of social services (Freebairn, et al., 1987; Veljanovski, 1987). It is also another avenue of revenue raising. The neo-liberal agenda on equality and distributive justice within privatisation policies is constrained by notions of freedom and efficiency, regarding equality simply as the universal distribution of formal property rights and political rights. From this viewpoint, "a free society will not tamper with the inequalities which arise naturally out of differences in natural capacities" (Sawer, 1982b). The role of government is therefore limited to the protection of legitimately acquired property rights. The case for privatisation, rests in part on an individualistic explanation of social problems, and therefore, allows that social costs should lie where they fall. This also reflects a narrow economic view of efficiency that puts market relations above distribution on the basis of need (Walker, 1984:44).

The market driven sector responds to purchasing power and is thus more accessible to those with money. Privatisation would bring greater freedom of choice and higher quality service for those with the means rather than those in need. The universal provision of services such as health and education are a recognition of these constraints which are frequently beyond the control of the individual. Government ownership and control over the production, distribution and exchange of goods and services is, in many cases, a means to protect various interests and promote social goals whereas market provision would exclude many groups, such as the elderly, from the services they needed if these services were privatised.

The desired outcomes expected from privatisation are not subject to easy delineation. There is frequently a mix of objectives. Free market economists, however, would tend to emphasise the stimulation of competition, through liberalisation, as a means to promote efficiency, wider consumer choice and lower prices. For those concerned with individual liberty in modern
society, privatisation reinstitutes the market, re-asserts the principle of private property and expands the domain of personal responsibility and choice. For the Thatcher Government, for instance, privatisation plays an important ideological function in reducing the presence of government and instilling a capitalist ethic. Revenue generation is another outcome of privatisation which can be used to finance tax cuts, reduce the deficit or subsidise other government ventures. As will be shown in the next section, the Hawke Government has seen privatisation primarily as the means to inject capital funds into large public enterprises. Similarly, the increased imposition of user charges performs a revenue raising function, allowing the Hawke Government to either reduce or hold constant, public expenditure on social services. To a limited extent, however, this section has sought to indicate that some of the objectives of privatisation are not always realised. Reduction of the PSBR can be no more than an accounting device to indicate smaller government while the sale of a monopoly or the imposition of regulation after privatisation can counteract the efficiency gains that might have been brought about by competition. Additionally, there is a potential for diseconomies while any greater freedoms inherent to privatisation may be exercised only by a wealthier minority.

2.3 The Politics of Privatisation in Australia.

Privatisation is not new to Australia; government enterprises and holdings have been sold before. Established in 1916 the first Commonwealth Shipping Line, operating over fifty vessels in the 1920s, was considered one of the largest fleets in the world. The Bruce-Page Government, however, progressively denied the Line financial assistance and sold it to private competitors. In the inter-war period the NSW Homebush Brickworks was sold by the state government to the private combine that the government company was meant to combat (Wettenhall,1983:16). The Queensland State government, through the 1918 State Enterprises Act established an impressive array of state owned butcher shops, fish suppliers, a fruit cannery, saw mills, hotels, grazing stations, copper smelters and so on. However, complaints of "socialist experiments" from the Governor of Queensland brought about a boycott of the London Bond Market, denying the state government access to finance markets. Successful
governments were gradually forced to sell the majority of these enterprises (ERC, 1988:18). After the Second World War, the Menzies Government sold interests in AWA and the Commonwealth Oil Refineries to the private sector as well as dispensing with a whaling station in WA and an alumina/aluminium plant in Tasmania. According to Simms (1982:87-88), the latter two enterprises were sold because they had outlived their developmental function in promoting competition and private initiative. On the other hand, the Menzies Government maintained many of the public enterprises established by the ALP.

The Fraser Government was no exception to the commitment to free enterprise and individual initiative. The Lynch "razor gang" grouped the Australian Wool Testing Authority, the Housing Loans Insurance Corporation, the Australian Shipbuilding Board, the Australian Government Clothing Factory, the Ordnance Factory at Bendigo, the Australia Post Courier Service, some of the design and building work of the Department of Housing and Construction, some of the functions of the National Acoustics Laboratories, properties in Canberra as well as the cleaning and surveillance of many Commonwealth properties, to be transferred to the private sector. Only a few of these activities were sold or disbanded (Wettenhall, 1983:19-20). Additionally, the Commonwealth's 50% interest in the Ranger uranium deposit was sold to Peko Wallsend and EL Industries and other deposits similarly fell into private hands (Simms, 1982). The significance of current proposals, however, is the vehemence and zeal for privatisation and the major public enterprises that have been targetted.

During the late 1970s a swelling free market lobby in the Liberal backbenches agitated for the sale of TAA. By 1984, it was part of an Opposition campaign against the Hawke Government. The themes of privatisation and deregulation were given public voice by the "dries" among the Liberals, notably Peter Rae, Peter Shack, John Hyde (one of the founders of AIPP), Jim Carlton and John Howard, and became integral to their economic credo. As one political commentator has noted, privatisation "is fundamental to the push for a new political and economic culture which is the chief distinguishing feature of the Free Market lobby in the Liberal Party" (Kelly, 1986:252).
The privatisation issue initially polarised debate around party ideology. The ALP's first response was blanket opposition to privatisation. Yet, certain key cabinet ministers, not totally dismissive of privatisation, took a different approach from the Liberals, regarding it and deregulation as tools in the pursuit of goals other than minimal government. ALP Finance Minister, Peter Walsh, for instance, conceded that privatisation advocates had targeted a real problem of inefficiency and monopoly in public enterprises. Importantly, he stated,

*I have no ideological preference for public or private ownership....what is important is not whether a business is public or private, but whether it delivers the good and services required by the public efficiently, that is, at lowest cost (1986:221).*

This statement is indicative of the willingness of key elements within the Hawke-Keating Government to step aside from party ideology and address the needs of public enterprise on efficiency criteria and capital requirements. As John Dawkins, when Minister for Trade, said, "privatisation and deregulation, like social ownership and intervention are only tools for the pursuit of other goals" (1986:223). Not all in the ALP, however, would share Dawkins' perspective and there was formidable trade union and Victorian state government opposition.

To date, privatisation under the ALP has been an ad hoc response to revenue raising in order, as Treasurer, Paul Keating, has said "to reduce the budget deficit and reduce government debt" (quoted in Rowe, 1987:37). In piecemeal fashion, the Hawke Government sold the Belconnen Mall in Canberra and following the May 1987 economic statement, part of the Australian embassy grounds in Japan were too. There have been similar sales at a state level. (10) By 1987, ALP cabinet ministers Hawke, Evans, Walsh and Button had all pushed privatisation onto the policy agenda. Privatisation was cast by the economic rationalists in Cabinet in a positive light as rethinking the role of the state in social and economic affairs. Given economic constraints, Senator Evans noted that:

*The crunch problem the government faces with most of its major business enterprises is the need to periodically inject them with quite large funds from the Budget, and at the expense of other demands right across the spectrum of health, welfare, education,*
housing, roads, defence and every other area of government spending
(Australian, 17.11.1987).

The options were cast in zero sum terms by the ALP leadership with privatisation as a sensible approach to overcome the capital needs, estimated at over $1 billion, of Qantas, the railways, the Australian National Line (ANL) and Australian Airlines. Yet attempts to sell privatisation flew in the face of party principles stirring into opposition the public sector unions and party rank and file. Defeat at the 1988 ALP National Conference put the "big ticket" items such as Qantas, on the privatisation agenda to rest, but as Botsman has noted,

...home care for the aged and disadvantaged, child care, garbage disposal, education, road construction and maintenance, housing services, court stenographers and other public services,... are (now) the cutting edge of privatisation (AFR, 4.7.1988).

Taft (1987:35) considers that the defeat of privatisation for major public enterprise to be the outcome of a much stronger trade union movement and a commitment to public enterprise in Australia's history which make privatisation proposals relatively more unpopular in Australia than the UK. On the other hand, welfare ideology is less firmly entrenched in Australia's history and culture.

Privatisation has had a narrow frame of reference in the Australian debate, focusing almost exclusively upon the capital needs and efficiency of major public corporations. Additionally, politicians and journalists have primarily identified privatisation with asset sales or denationalisation to the neglect of other, less immediate forms of privatisation in the social services or what one unionist has described as "privatisation by stealth" (George, 1988:6). The term has not so readily been applied to policies that privatise the costs of services on the user or place production in the hands of private producers. Yet, the Australian education system has been a site of privatisation for over two decades. Federal policy has nurtured the development of private schools. However, this has not been officially acknowledged as privatisation,

...to do so would be to address the effects of privatisation on the majority of public schools - their loss of status, their slow residualisation, the increasing inequalities of access to higher education that are experienced by their students (Marginson, 1986b:3).
Government policy has focused upon the consumption of education by individuals and their families. Public policy has guaranteed subsidised places in either private or public schools, consequently all students are regarded as having an equal opportunity. Different outcomes, such as the greater proportion of private school students in universities, then appear to be determined by differences in individual ability rather than different forms and social character of schooling between the private and public sector. To make a distinction between private or public schools or colleges, and to distinguish between private and public funding would force attention onto the form of production and funding rather than consumption. It would expose inequalities between public and private and undermine the liberal argument for state subsidy based on the rights of individuals to an equal grant regardless of whether they attend a private or public school.

Given the political volatility of the term privatisation, it is perhaps not surprising that the government has avoided its use in regard to welfare and education. The silence, however, performs a political purpose as "user-pays" or encouragement of alternative private institutions appears as a fair and pragmatic means of public expenditure control and revenue generation. The social services are, therefore, much more susceptible to privatisation initiatives.

Chapter Two has concentrated upon the various forms of privatisation and its relevance to Australian higher education arguing that even though the debate has revolved around the sale of major public enterprises there has been a less noticeable but nonetheless real process of privatisation in higher education. The next chapter discusses in greater detail the forms of privatisation that have emerged in Australian higher education with the reforms that the Hawke Government has wrought. Additionally, the influence of neo-liberalism is more specifically addressed by looking at the concerns to promote efficiency, accountability and competition implicit in privatisation policies.
Chapter Three

This chapter provides an analysis of privatisation and the impact it has had upon the public system of higher education in Australia. Privatisation has been fiscal in nature, the costs of which have fallen disproportionately on students or graduates who, the federal government argues, are the "primary users" of higher education. A continuing theme in this chapter is the diminishing autonomy of both individual institutions and the education system in general, in relations with the Commonwealth. The paradox, in this case, is that privatisation has resulted in increased government controls. This process has been aided by a series of structural reviews that began with the Murray Report and has culminated with the White Paper and Wran Report. Secondly, institutions and academics have been under increasingly strong pressure to be more efficient and accountable to social and economic needs. Higher education managers have sought to accommodate these demands through measures to increase the number of tertiary places available and developing new courses of relevance to industry. However, internal measures to reduce costs or improve efficiency have their limits. A third theme is, therefore, the accelerating pace of decay resulting from real declines in higher education funding. The final theme is the impact of economic liberalism in policy making circles. The views emanating from the free market policy institutes, while not incorporated wholesale into policy, certainly have had a substantial influence on the terms of the debate by stressing the principles of efficiency, competition and freedom of choice.

The ability of the federal government to manage the higher education system has been frustrated by the difficulties of tuning it to a number of competing social and economic needs. The unwieldy system of numerous co-ordinating agencies brought about by federalism, and the resistance of organised interests (professional associations, student unions, other government agencies), has required compromise and limited initiative in policy making. Additionally, economic and fiscal pressures have curtailed the Commonwealth's ability to fund higher
education expansion. Privatisation has, therefore, become expedient as a means for the government to encourage institutions to independently raise revenue and overcome these fiscal constraints. Furthermore, by not fulfilling expectations (no matter how unrealistic) of promoting equity, producing skilled manpower or accommodating overflowing student demand for tertiary education, institutions have faced accusations of inefficiency, elitism and irrelevance to social and economic needs. In an era of declining living standards and general financial stringency there has been a need to justify or legitimate the privilege of free education, of tenure and sabbatical entitlements, of curiosiy driven research, and a need to demonstrate to the public and the government how the system has already responded to eliminate inefficiencies, adapted to economic needs and shouldered funding cuts along with the rest of the community. Inability to counter the rhetoric, has made tertiary education more susceptible to the Government's proposed reforms. The image, planning and fiscal dilemmas of higher education are dealt with in the first half of the chapter.

The second half of the chapter addresses the forms of privatisation that have either been implemented or seriously considered as reform options. The influence of economic liberalism on the terms of the higher education debate is dealt with in these sections. Federal policy initiatives, however, fall short of the neo-liberal agenda. The Hawke Government has leant towards specific methods of privatisation in higher education policy, such as "user charges" rather than denationalisation, and exhibited a distinct reluctance to liberalise government controls, despite rhetoric to the contrary. For example, the 1987 Green Paper, proposed greater institutional autonomy in management and resource allocation while at the same time seeking to centralise and concentrate command of the higher education system within the reconstituted super-department, the Department of Employment, Education and Training (DEET). Government selectivity in the allocation of research and teaching funding further reduces the scope for administrative choice in institutions. The Hawke Government has centralised control of education institutions fearing that more latitude for individual and group choice has the potential to undermine public policy. Centrally directed systems are deemed necessary to bolster authority and shape national development. On the one hand, the Hawke
Government has receded from total financial responsibility for higher education as funding sources are privatised. On the other hand, however, there has been centralisation of power. Privatisation in Australian higher education does not constitute "rolling back the state" nor does it necessarily entail less intervention. Rather, the federal government has tightened its control and increased its presence through administrative and funding reforms.

3.1 Higher Education Under Challenge: The Hawke Government and the Commodification of Education.

The rundown of the higher education system under successive Fraser Governments was continued under the Hawke ALP Government. To contemplate the reversal of funding cutbacks had costly implications. In a recessionary trough of high youth unemployment, priorities were directed towards TAFE Participation and Equity Programmes and the improvement of secondary school retention rates which were extremely low by OECD comparisons (Dawkins, 1987b:108). In the school system student numbers have barely increased but the cost per student has increased by more than 30% over the past decade. In the higher education system, student numbers have increased by 30% while the cost per student has declined by 10% resulting primarily from increases in student-teacher ratios (Hilmer, 1988:33-34). In short, schools have increased their share of total education funding.

Since 1983-84 the focus of attention on the education agenda has been the furore over federal aid to private schools, which was eventually resolved, amid controversy, with a generous settlement to the private schools in 1985 (Smart, 1987). In this short period, the downward slide in higher education funding was halted and improvements in capital and equipment grants resulted (CTEC 1986:53). Yet, institutions with any spare capacity have been encouraged to take additional students at below marginal cost. Inevitably, a disjunction in policy emerged. With demographic trends and the school policies encouraging students to stay at school, real declines in funding have not been conducive to accommodating increased demand from school leavers. Despite the one third increase in higher education student numbers between 1976 and
1986, there was excess demand estimated at between 13,000 and 20,000 in 1987 (AVCC, 1987:1). The consequences have been deteriorating educational services and provision. Staff-student ratios deteriorated by 11 percent and operating grants per Equivalent Full Time Student (EFTS) declined by 8 percent over the decade to 1986 (CTEC, 1986:5-9). Additionally, the need for rehabilitation, renovation or replacement of buildings has become increasingly urgent while substantial investment is needed to keep pace with technology and update libraries. The low rates of funding growth also highlighted "uniformity and inflexibility in existing staffing arrangements" resulting in reduced scope for institutions to recruit new, quality staff. (1)

Higher education managers have attempted to assuage the deterioration, in conjunction with pressures to expand, through efficiency and cost cutting measures. One strategy has been to move students to "lower cost educational units and/or reduce the average cost of each unit" (Davis, 1987:71). This has been done by enrolling students in the less costly courses such as those found in the humanities. Furthermore, accommodating demand through expansion of the CAE sector has been an alternative to providing funds for the more costly expansion of the university sector. Costs have also been kept down by restricting the growth of professional-scientific disciplines which generally entail high equipment and laboratory costs. For example, ten special research centres were established by the Fraser Government and seven Key Centres of Research and Teaching by the Hawke Government as research management policies that would allow for "special concentrations of resources in particular areas and amongst those staff with proven research capacity" (CTEC, 1986:8). Another avenue of reducing costs has been the minimisation of student drop out rates (through counselling, improved career guidance, remedial courses), the imposition of administrative fees, the introduction of less labour intensive teaching practices and the more intensive use of physical plant through, for instance, the introduction of a summer term. Similarly, scale economies improve with the amalgamation of small institutions.

In the absence of sufficient resources to meet demand for higher education, rationing - through the use of quotas - has been brought into play, usually on meritocratic criteria. As a result,
disadvantaged groups are frequently excluded from higher education as the most academically competent students tend also to be the most socially advantaged (Anderson, 1988:113-14). Failure to provide sufficient overall places can be exploited either to embarrass the government into providing more funds to alleviate overcrowding (2), or conversely, rebound onto institutions for being inefficient and elitist. To some extent both situations apply in the Australian context. However, the federal government has been able to place the onus on institutions by simply stating that it has no more funds and accusing the system of gross inefficiency or elitism. Prime Minister Hawke has warned that government funds are not for academics and students to preserve "the ivory tower luxury of relative isolation" (Australian, 29.4.1987)

Financial stringency has been compounded by the breakdown of traditional structures. The growth of CAEs has produced tensions. They have begun to rival universities in size, graduate output and research endeavours, thereby undermining the major rationales for the binary divide. (3) This push has recently culminated in several institutes of technology being awarded university of technology status by state governments supposedly in recognition of their educational merit. (4) To alleviate funding shortages, the ALP has encouraged institutions to investigate alternative sources and has developed new administrative arrangements to ensure the smooth implementation of entrepreneurial activity. To-date, there have been three major developments indicative of fiscal pressures and redirections in policy. These are; the reformulation of overseas student policy, the role of CTEC and its report on "efficiency and effectiveness", and the Green and White Papers, as well as the Wran Report.

3.3.1 Overseas Student Policy

The Government's response to the Jackson (1984) and Goldring (1984) Reports which respectively addressed foreign aid policies and overseas student policy was the first area of ALP initiated changes to the higher education system. The outcome of the new policy has had a fundamental impact on educational affairs and many of the issues raised in this debate are of relevance to later attempts to introduce user-charges and to establish private institutions.
The need for review of overseas student policy rested upon three factors. Firstly, there was increasing controversy over immigration programs, especially Indo Chinese intakes, with recurring racism targeting overseas students who tended to concentrate in particular institutions and courses (Burns, 1985). Secondly, policy had developed over several decades in a piecemeal fashion and required clear articulation in the changing environment of high overseas demand (see Cleverly & Jones, 1976 and Jones, 1987 for a discussion). Thirdly, there was increasing concern that overseas students were a burden on educational resources and were displacing qualified Australian students from tertiary education. (5)

The recommendations of the two Reports differed on all major points. Strongly permeated by a human capital perspective, the Jackson Committee saw education central to development. The lack of skilled people is a key constraint at early stages of development, and high levels of investment continue to be necessary at all stages of the growth process to manage programs in the public sector and in private business (1984:87).

The Jackson Report advocated the recovery of "full economic cost" from overseas students and the introduction of an extensive scholarship system as the vehicle of Australian aid objectives. The Report argued that institutions should compete for full fee paying (FFP) overseas students as a means of independent revenue raising. The numbers of overseas students should be limited only by academic merit and their capacity to "win" scholarships or pay full cost. As Australian education services were considered a factor of comparative advantage, the Report recommended that education be developed as an export industry. (6) Australia would still be serving aid objectives by creating human capital for the future development of the home countries of overseas students. The Goldring Report, on the other hand, recommended that overseas students continue to pay only a proportion of the cost of their education through the Overseas Student Charge, arguing that overseas students were of considerable benefit to Australia in non-monetary terms. (7) It proposed a number of reforms such as the creation of an Overseas Student Office in the Department of Education and Youth Affairs to coordinate policy and provide support services but, otherwise, no radical reforms. The Jackson Report,
however, advocated deregulation of administration with "universities and colleges... responsible for the selection and administration of overseas students" (1984:75).

The approach of both reports, with hindsight, would appear flawed. Neither "tackled a major structural problem at tertiary education levels both in Australia and in the Asian countries from which most of overseas students come - the problem of a growing shortage of student places at university level" (O'Malley, 1985:18). The Goldring and Jackson Reports proposed changes to reduce competition between Australian and overseas students, not a method of reducing the shortage. The Reports did not relate the overseas student issue to expenditure restraint and how they impinged upon the higher education system. As a consequence the policies developed in each Report and the subsequent policy adopted by the Government did little to relieve Australian and overseas demand for higher education.

With such contradictory recommendations, the then Minister for Education, Senator Susan Ryan, convened a departmental taskforce with representation from Trade, Finance, Immigration, Prime Minister and Cabinet and Foreign Affairs, to assist the government in its choice of policy. The policy outcome was a compromise between the two reports. The Government adopted the main thrust of the Goldring Report by undertaking a number of administrative reforms such as establishing the Overseas Student Office. The OSC was increased to represent 35% of full economic cost and has steadily risen in the intervening years (see appendix 3.1). A ceiling was placed on the aggregate number of overseas students at 1985 levels, rejecting the Jackson recommendation of deregulation. The Minister was also of the view that full commercialisation of the overseas student program, as proposed by the Jackson Report, would run too many risks.

...if an offered course of study stops halfway through, or is of poor quality, then all of the students involved will suffer from the waste of perhaps years of work, and they may have their whole career prospects seriously damaged. The nation's reputation would suffer and, in addition, the existing institutions which have a real concern for standards would have their reputations dragged down
Nevertheless, under the pressure of other departmental interests, specifically Prime Minister and Cabinet and Trade, the government sought to strike a balance between cost recovery requirements, foreign aid considerations and the potential for improving Australia's balance of trade situation. Consequently, institutions were permitted to market full fee paying courses to overseas students who fell outside the aid quota. The rationale was that it would increase opportunities for overseas students excluded from government quotas of subsidised study.

The decision was given further impetus by a Department of Trade education mission to Southeast Asia and Hong Kong. The mission found that there was diverse but significant demand for Australian education services in the region and that Australia could develop export markets anticipated to be worth approximately $100 million a year (Tease, et al, 1985:v). The education export policy was justified as aiding national economic reconstruction "to improve export performance and (the education system's) contribution to economic growth" (Ryan, 1985a). It was a move strongly favoured by the Department of Trade and its Minister, John Dawkins (1985a:1) for whom the impetus for this new export lay in "circumstances of continued bleak prospects for many of our major commodity exports (where) it has become imperative that we lift our game in the export of manufactures and services". It is a point of view Dawkins has more forcefully put since he acquired the education portfolio in mid 1987.

A number of Australian institutions have already engaged in this activity, but are regulated by the "Guidelines for Full Fee Overseas Students in Courses Provided by Commonwealth Funded Higher Education Institutions" (see Appendix 3.2). The Guidelines stipulate that FFP courses can be offered only if they do not displace Australian students or overseas students under current schemes of subsidy or sponsorship. The full average cost must be charged, including capital and overhead costs.

The new policy was not without opposition. Naturally, overseas student organisations protested and their home governments indicated disapproval. Aid lobby groups accused the government of backsliding on aid obligations. The federal opposition, although it supported
what was seen to be the "reintroduction of a form of fees" favoured the Jackson Report
commendations and considered that the government's policy did not resolve the continuing
displacement of Australian students (Baume, 1985). Committed to a non market system of
education planning and funding whereby resource allocation is tied to educational and social
objectives, the higher education unions were the most strenuous in opposition. Their
representatives have consistently opposed the export of education on the grounds that a user
pays system would restrict access to education on the basis of class and income. A free market
model of educational provision assumes that everyone has equal rights as consumers and
producers in the market place (see McCulloch & Nicholls, 1988). It is also believed that the
selective imposition of fees was a step towards reintroducing tertiary fees for all students. Once
the argument that the primary beneficiaries of Australian educational aid should contribute to the
cost of their education is accepted for overseas students it is but a small logical bound that
Australian students should likewise contribute towards the costs of their education.

The deregulatory theme of allowing institutions to set their own fees above a minimum level,
"to individually negotiate and enter contractual arrangements" and to retain the surplus of their
market enterprise also has the potential of producing disequilibrium among institutions in their
market power and base of expansion (ibid). The feared outcome is that a key group of
institutions will hold the greatest marketing power and that surplus will tend to concentrate in
these institutions. This is opposed by the unions as it could influence, in conjunction with
other factors, the creation of high and low quality or rich and poorer institutions, instead of a
uniformly high standard education system.

The export program has affected the government's commitment to programs of fully sponsored
and partly subsidised overseas students. With increases of the OSC, full fee courses are
competitive with the subsidised program. Overseas students are currently being charged 65%
of course costs which average between $10,000 for low cost courses and $12,500 for high
cost courses such as medicine and veterinary science (see OSO, 1987 for fee levels). In 1988
over one third of tertiary places available on the subsidised program were unfilled (Australian,
3.8.1988). With the increasing competitiveness of the FFP program, the federal government has decided to phase out the subsidised scheme and replace it with full-cost places and scholarships. Aid to students from less developed countries is being residualised by public policy favouring the marketing strategy. It raises other questions about the Australian Government's commitment to aid obligations. (9)

The question of educational standards in overseas marketing has also exercised the concern of many academics. The potential exists for education standards to slip under the pressures of cost competitiveness. Entry and/or exit conditions could be relaxed to ensure student numbers and therefore maintain income and jobs (Clarke, 1986). (10) Additionally, specially tailored courses could segregate foreign students and their curriculum may be "different" - either better or worse in a vocational or philosophical sense - from other courses. (11)

Unethical marketing practices reflect badly onto the industry. In one scandal, Asian agents were marketing, at up to three times the usual fees, a "Bicentennial amnesty" to potential language students who were told that the Australian Government would declare an amnesty for illegal migrants during 1988. Since October 1987, over one hundred overseas students have disappeared from just one language college in Perth, and many others elsewhere (Australian, 30.3.1988). Other problems have emerged with some language colleges misrepresenting courses or overcharging for non-existent or minimal services. (12) These circumstances have forced DEET and Immigration to assess more stringently overseas students and four private institutions have been suspended. Thus far, these practices have been confined to the language or business colleges, but there have been accusations of "cramming" and student stress at Curtin University among Singaporean FFP students doing intensive three week courses in which they complete two full semesters work (West Australian, 23.5.1988). Many overseas students also enter Australia with insufficient funds for living expenses and passage home. In seeking work, they are frequently in breach of their conditions of entry and as many do not have English language proficiency some have been victim to exploitation by employers in the hospitality industries (Australian, 29.6.1988).
There is also the problem of regulation of marketing activities, or lack thereof. In one quarter, the deregulation of marketing is seen as promoting healthy competition. Economists such as Stanford (1986), Throsby (1985), Hughes (1988) and Fane (1984) have argued that the export of education allows institutions to become more efficient and entrepreneurial. As Porter (1984:86) explains, deregulation allows institutions "to exploit the comparative advantage Australia has in education and training... without cost to the taxpayer but with benefits to our export earnings and employment in the tertiary sector". Deregulation is not without difficulties. While Britain and the USA have co-ordinated marketing strategies, Australia, in contrast, has a majority of individual institutions marketing independently, to their mutual disadvantage. As the Director of the International Development Program (Back, 1985:14) has noted, allowing institutions to individually tender to the World Bank or foreign governments may be "counterproductive" when "central agency to agency or government to government contact is desirable". Such fears have been echoed within DEET where one official has warned that "little will be gained by institutions charging higgledy-piggledy into the market" as Asian governments are finding it increasingly difficult to accommodate the "sorties" of Australian institutions into the region (Buckingham,1987:7). Accordingly, some consider that unbridled competition has an adverse effect upon demand through the confusion it spreads among potential clients (interview, Hambly,1988; McMurray,1988). On the other hand, Austrade representatives (interview, Critchley,1988) saw no evidence of this other than anecdotal information, whereas the data indicated that Australian institutions are capturing an increasingly larger share of the market. She argued further, that co-ordination adds costs that would have to be borne by the marketing institutions, diminishing the international competitiveness of these institutions and ignoring "commercial realities" that institutions do not want to be "allocated" a share of the market but want to maximise their share and profits. Nevertheless, she foresaw a trend towards the formation of consortia of institutions marketing on a state basis.

Some co-ordination occurs through Austrade which maintains databases of Australian educational services in a number of overseas offices, and also in WA, for example, through the
state import-export corporation, EXIM. The International Development Program (IDP) was established by the Australian universities and CAEs specifically to promote Australian education abroad. Unlike Austrade, it is involved in the recruitment and management of overseas students, charging institutions a commission for its services. Education fairs provide another forum for marketing while educational brokers and individual institutional representatives offer methods of marketing and recruitment.

Australian education institutions have generated more than the projected $100 million export income per year in 1989 (see Appendix 3.3) but the value of this to the education system, as a whole, may be minimal. Nicholls (1985:3) has calculated that the profit on a $100 million a year turnover would be approximately $15 million which represents 0.75% of the higher education budget in 1985 prices. This sum, spread across a number of institutions, is negligible compared to the extent of real public expenditure and will not engender sustained or extensive growth. For some institutions, overseas marketing will pay dividends in the form of new staff or buildings but this market success may be geographically concentrated among the larger, more prestigious institutions. For the nascent private sector, however, the overseas student policy has exposed the potential of a new market. Planning for the Bond University, the Australian Institute of Business and Technology and the abortive Yanchep International campus were predicated on the attraction of overseas students.

3.3.2. The Demise of the Co-ordinating Commission: CTEC and the "Efficiency and Effectiveness" Review.

From 1977, under the direction of its two chairmen, Peter Karmel and Hugh Hudson, CTEC has been the focus of the higher education policy community. It took the role of "buffer" organisation between institutions and the minister, coordinating Australian higher education development, administering financial grants and acting as a source of policy advice. With increasing fiscal constraints, government control over CTEC, while increasingly evident, was imperfect and uneven. The abolition of CTEC placed the co-ordination of the higher education system more firmly under the direction of the Minister. In effect, these changes initiated during
1987 and 1988, were the administrative and structural aspect of adjusting the higher education system to economic priorities and enforcing responsiveness to government priorities.

Sources of input to higher education policy have included students and student unions, academics, their staff associations, FAUSA and FCA, as well as the AVCC and ACDP and individual institutions. Additionally, community interests such as minorities lobby for influence as do business interests, employers and the trade unions. Government interests include CTEC, the state ministers and the state post secondary co-ordinating bodies, the federal minister, the Department and other government agencies and departments. These groups have different input into policy and influence over outcomes. This arrangement of having numerous participants and shared powers worked reasonably well in promoting consensus and cooperation while the education system was experiencing growth and stability (Harman, 1987:7). The policy community was able to function, if slowly, because of the common background and general commitment to academic values among members. As it has been relatively cohesive and responsible for setting its own agenda, planning was stable and incremental (Hawker, et al, 1979) with policy clearly articulated and widely circulated through the CTEC reports. This mode of policy making has been described by Marshall (1988b) as that of a relatively self contained, internally regulated policy community, and by Walsh (1987b) as a form of middle level corporatism where interest groups and academics were incorporated into policy making. Alternatively, public choice theorists would see it as a situation where the education bureaucracy was captured by its client constituency. (15)

On the other hand, the system of committees, commissions and departments which exercise coordinating functions over higher education can also be described as structurally unstable. Instability has been exacerbated by federal structures. In Marshall's words,

Obtaining cooperation... has been difficult as there are inherent tensions built into the sector, both vertically (between state and Commonwealth, state coordinating authorities and institutions, employer associations and unions) and horizontally (between universities, CAEs and TAFE) (1987:4).
Nevertheless, a framework of regularised consultation was worked out through the establishment of the Australian Education Council (AEC) - an intergovernmental commission consisting of state and federal ministers of education. These consultative arrangements were worked into the triennial planning cycle which, not surprisingly, became a ponderous process.(16)

Within this corporate like policy community, CTEC had increasingly taken a central position, perceived more as an agent of government control than a "buffer" as the financial planning guidelines for each triennium from the government to CTEC became increasingly specific and detailed. In 1985 CTEC undertook a review of its structures in response to the view that its reporting and communication processes, with the three associated councils, were unwieldy. The outcome was the integration of the personnel and operations of the AUC, Advanced Education Commission and TAFEC into a unified secretariat, asserting a central role for CTEC. Its chairman, Hugh Hudson, appears to have been a prime mover behind the curtailment of independence of the councils (Smart, et al, 1986:76). Hudson complained that restructuring was necessary due to the complicated and consensual reporting processes where "all that can be implemented is the minimal arrangement to which everybody can agree" (cited in Marshall, 1987:5). Similarly, Lindsay has noted that power within the system was "...too widely dispersed and the organisational structures too loose knit and chaotic, for co-ordinating agencies or committees of enquiry to adopt any approach other than trying to set the agenda for change and persuade the various parties involved to accept it" (1987:82).

The style of policy making changed significantly in the 1980s with a notable absence of consultation of higher education interests under the Dawkins administration. The influx of new bureaucratic and economic interests into higher education policy determination undermined the unity of the established policy community. Unemployment, technological advancement in manufacturing industries, the need for skilled labour and managerial expertise have given Commonwealth departments responsible for economic affairs opportunity to argue that higher education must be used to overcome these problems. For Marshall, these new influences
resulted in a "confused and disjointed policy milieu" (1988b:67). For Walsh, the corporate unity in higher education was undermined by the emergence of corporatist strategies at a higher level of macro-economic management. The dysfunctions generated in policy from this confusion provided the federal government with the opportunity to initiate major administrative reforms and highlight higher education inefficiencies. There has been a tendency within ALP circles to view higher education institutions as ripe for efficiency measures.

Few politicians have had a sympathetic word for the institutions: from the Prime Minister (who personally sabotaged a duly determined salary hike), to the Minister for Education (who attacked the universities as "bastions of privilege") to the Minister for Finance (pushing the reintroduction of tuition fees) to the lowly backbenchers who sought to establish state "razor gangs" to trim $200 million of "fat" off the tertiary budget and carve up the tenure and salaries of senior academics (Smart, 1987:31)

The impetus for the 1985 efficiency and effectiveness review was the government's perception of waste and mismanagement in higher education. Accordingly, the Review had "an internal focus - the processes of higher education - but an external stimulus - the government's concern for accountability and economy, coupled with the community's dissatisfaction with higher education and perceptions of inefficiency" (Lindsay, 1987:83). With its exclusively inward focus it failed to address the inefficiencies arising from disjointed State-Commonwealth relationships or other external pressures.

The Report was an amalgam of radical and conservative recommendations: radical in the sense of breaking with the tradition of binarism, proposing new forms of remuneration and more stringent methods of monitoring staff; and conservative in the sense of restating the liberal role of the university and rejecting market forms of allocation. It made numerous and extensive recommendations to improve performance at institutional and individual levels. The Report sought to orient the education system more towards the expectations of its funders by stressing the need to tie research more closely to the national interest. To this end, the binary system was to be broken down with research monies distributed according to performance indicators. This
was to be bolstered by the encouragement of direct relations between research staff and industry through consultancies (Hinkson, 1987:120). There were also a number of staffing proposals to improve and reward performance.

1. a salary bar at the midpoint of lecturer and senior lecturer to facilitate review of performance and recognition of achievement.
2. the use of up to twenty percent salary loadings in order to compete with industry to attract staff.
3. the introduction of early retirement schemes.
4. a minimum of ten to twenty percent of staff on fixed term contracts.
5. establishment of staff assessment and rules for termination of staff on grounds of incapacity, inefficiency or redundancy (ibid).

Despite a significant departure in the use of reward, sanction and flexibility to improve academic performance, the Report did not vindicate perceptions of waste and strongly defended the achievements of the higher education system. Notably, the Review concluded that facilities and equipment were being used intensively with little spare capacity. It stressed that funding levels were insufficient to allow the replacement and/or maintenance of equipment, buildings and libraries. Perceptions of waste were not substantiated. On the contrary, the review strenuously reiterated that the scope for additional savings within the higher education system was severely limited. If the Review was intended by government to discredit the system and provide the means for facilitating greater government control over the level and direction of funding, then CTEC did a creditable job in defending the system by demonstrating increased efficiency over the 1976-85 period with more students, less funding and fewer staff. CTEC reasserted its role as a buffer. Expanding on a theme developed in its 1985 Report, CTEC "forcefully savaged most of the more fanciful free market inspired economy measures... rejected the prospect of any major new sources of government funds (and) rejected the reintroduction of fees" (Smart; et al, 1986:78). As a consequence of CTEC's vociferous opposition to free market economics on the grounds of its inequitable implications - which was backed up by the then Minister - the Commission became a barrier to the government's reform
objectives for higher education.

While there was an upward rationalisation of control to CTEC, on another front, the administration and planning of higher education has been complicated by competing bureaucratic interests which have widened the policy environment and the number of inputs into the policy process. This has been partly due to bureaucratic reforms such as program budgeting the Financial Management Improvement Program, which have tended to create a greater degree of competition between departments (see Marshall, 1988a for a full discussion). The coherence and continuity of the higher education policy community has been increasingly interrupted by the pressure of other federal agencies seeking to influence policy in tune with broader economic or social concerns or other sectional objectives. Other departments have argued that higher education should respond to wider economic needs. For example, the Minister for Industry, Technology and Commerce, John Button, said "academics and researchers would need to develop an entrepreneurial culture within Australia's tertiary institutions" rather than sit in "splendid isolation" (AFR, 3.9.1987). The former Department of Employment and Industrial Relations (DEIR) pushed for training of more vocational relevance while the Department of Finance saw higher education ripe for efficiency auditing. The Department of Trade has also been instrumental in promoting education as a new source of export income. Various government agencies have issued reports, for instance, the Economic Planning and Advisory Council (EPAC, 1986a & b, 1988), stressing the interrelated nature of education and economic affairs providing further justification for the encroachment of other departmental interests. In one paper, Human Capital and Productivity Growth (1986b), EPAC drew a strong connection between economic growth and the performance of the education system proposing expanded post school enrolments in business, technologies and engineering courses. Similarly, ASTEC (1987:1) in its report on Improving the Research Performance of Australia's Universities and Other Higher Education Institutions, drew attention to the central role of higher education institutions in "the solution of the present economic problems" as "the foundation for Australia's technological development".
The significance of the views of these cross-sectoral agencies has been not only to highlight the interrelated nature of various departments and hazy boundaries between policy areas, but to inculcate the belief that education has direct bearing upon the health of the economy and could be contributing more to economic recovery (Gibson & Dixson, 1987). In doing so, they legitimated the involvement of other departments in higher education affairs. Interests outside the education community were able to gain control of programs that would have formerly been considered CTEC's preserve. For example, DEIR attained control over the Australian Traineeship Scheme, the Australian Research Council was briefly placed under the purview of the Ministry of Science, youth affairs were co-ordinated from Prime Minister and Cabinet, TAFE PEP was jointly administered by CTEC, DEIR and the Department of Education, while the OSO was established in the Department of Education which has increasingly built its own policy expertise. CTEC found itself in a more complex bureaucratic environment as other departments gained control of program implementation, financial resources, legal responsibility or a central bargaining position in interdepartmental competition for resources. The outcome was an inconsistent set of views on the role and function of higher education.

Subject to a number of competing and often conflicting ends, the higher education system has been hindered in its ability to accommodate all government objectives. It disrupted the coherence of longer term planning,

...incompatible policy directives from cabinet... hindered the ability of CTEC to accommodate official government objectives... (and) was accentuated by the erratic nature of directives over time, which was the result of the differential power of departments exercised in different arenas (Marshall, 1988a:26).

The greater power of Finance and Trade in cabinet, where economic concerns have prevailed over educational matters, produced a combination of directives "often internally inconsistent and unrealistic in its expectations of what could be achieved" (ibid :27). Correspondingly, CTEC was unable to redirect the higher education system to the extent that all bureaucratic interests desired, that is, to foster rapid growth in the technological and business disciplines and engender receptivity of institutions to industry needs, as well as widen access of lower socio-
economic groups and substantially increase the number of tertiary places through efficiency measures. Too much was expected with too few resources. Public expectations of the higher education system, as articulated by the government, have not been met in full. The origins of this failure, however, were not seen to lie with the policy process or political decision making, but with CTEC and the education system. The problem for CTEC was that it supported the "wrong" set of values. According to Professor Geoffrey Brennan,

CTEC symbolised...that the university community's ultimate loyalties are not to the Labor Party or to the Departmental Secretary or Australian Industry, or even to Australian taxpayers: but to a set of independent values... that translate into the unfettered pursuit of truth and the freedom of intellectual inquiry (1988:24).

After the July 1987 federal election many portfolios were reshuffled into super-departments, including the education portfolio. The creation of DEET brought a major shift of responsibility away from CTEC. DEET acquired responsibility for the ARC, overseas student policy and the export of education services, labour market programs and industry liaison. With such an erosion of authority, the lifespan of CTEC was cut short, particularly as it was considered to be too closely associated with its client group (Marshall, 1988b:69). By removing CTEC's (and the Schools Commission's) powers to the Department, the remaining obstacles to the government's education reforms were cleared away. With CTEC removed, the government has had greater scope to reshape institutions through the direct use of financial power.

Ministers were also juggled; Susan Ryan, who had protected higher education interests and effectively routed the fees issue in Cabinet, found herself moved to Prime Minister and Cabinet as minister without portfolio. She was replaced by John Dawkins, the former minister for Trade. It was a crucial move as Dawkins was prepared to accommodate other departmental interests in higher education affairs. Dawkins forecast a major review of the system and significant structural change in higher education. In his reformist zeal, the new minister bypassed the traditional sources of policy advice - the AVCC, ACDP and CTEC - in favour of departmental staff and a personally selected band of academics, known, somewhat elliptically,
as the "purple circle". The purple circle was established outside the formal structures of the bureaucracy but had input into the Green Paper and the establishment of the National Board of Employment, Education and Training (NBEET). Three of its members have been appointed to influential positions in NBEET. Located within the Department, the Board is a deliberate step to increase ministerial responsibility for higher education. By comparison to the independence, research and public reporting roles of CTEC and the Schools Commission, it is a "toothless tiger".

The changing higher education environment has prompted interest groups to reorganise in response to the dismantling of the former network of control. Student organisations have attempted to re-establish a national front in the National Union of Students. In the post-binary era, FAUSA and FCA have plans to amalgamate. The ACDP of Advanced Education has changed its name to ACDP of Higher Education in response to several CAEs acquiring university title. An amalgamation of the ACDP and AVCC has also been considered. Nevertheless, these groups do not wield the same influence with DEET officers as with CTEC.

The rationalisation of the education portfolio in the super Department of Employment, Education and Training may overcome some of the difficulties of policy fragmentation. Old boundaries and networks of control have been dismantled and reorganised in the wider domain of DEET. Decision making has passed out of the hands of the academics and educational experts who dominated CTEC, and further marginalised interest groups such as FAUSA and AVCC. Administrative restructuring mirrors both the erosion of the autonomy of universities and CAEs, dependence upon a single source of funding and the marginalisation of CTEC. The objectives of other departments for higher education created a situation where the government could legitimately institute a review of the system. A more radical and far-reaching document than the CTEC review has emerged in the 1987 Higher Education Policy Discussion Paper, which has advocated courses of action that CTEC explicitly opposed.
Marketplace.

The rationalisation of the education portfolio into DEET marked a significant redirection in the role of higher education institutions and their relations with the federal government.

The placing of "education" between "employment" and "training" in the title of the new super-ministry over which Mr Dawkins now presides was an ominous gesture. It soon became clear that the Commonwealth government was to play a much more immediate and pervasive role in the direction of education at all levels and that the capacity of educational agencies to serve national economic objectives would be the main guiding principle (Crittenden, 1988:24).

The first indication of this was the new minister's statement of 22nd September, 1987. Seeking to emulate Japanese technological and industrial development, Dawkins stated that there would be an increased priority for technological studies and greater participation in higher education to improve economic performance through the "vocational preparation of... young people" (1987a:5). An internal DEET taskforce conducted the inquiry producing the Policy Discussion Paper on Higher Education, better known as the Green Paper which was followed by the White Paper in July 1988.(18)

The proposed administrative and funding reforms are central to an understanding of privatisation and deregulation in higher education. The reforms have bearing upon the form and future course of privatisation within both the private and public sectors by creating an environment of competitive resource allocation and by actively encouraging assistance from the private sector. The two papers can be divided into three sections for analysis. The first section concerned the need to restructure the higher education system. The second drafted the components of a "unified national system" (UNS) regarding research, staffing, teaching and participation. The third section of the documents addressed funding arrangements. While the Green Paper was supposedly a discussion paper to seek advice and subsequent modification, a lot of the criticism was ignored and much remained unchanged in the final policy document.

The Papers link the performance of the higher education system with economic performance.
Reforms are needed to develop a "better educated and more highly skilled population" that can adapt to technological change and cope with the restructuring of Australian industry. The main pressure is the changing international climate. To quote at length from the Green Paper:

The problems associated with our traditional export base have been compounded over the past two years by the sharp fall in world prices for many of our traditional exports. This adverse shift in the terms of trade requires a change in the balance of the Australian economy away from traditional industries towards the less familiar, such as advanced manufacturing and new service industries...

What is important is the flexibility to... accept the need for continuing change and adjustment. A well educated workforce is a key force of such flexibility. The more responsive workforce, the greater speed of adjustment to external shocks and the less the impact on Australia's standard of living (Dawkins, 1987b:2).

The economic rationalism of the government has subordinated the educational processes to economic development.

Secondly, the two Papers argued that Australia's educational performance was lagging in comparison to other OECD countries. Australian participation rates in all levels of education and training were argued to be among the lowest while the output of graduates was seen to be lagging the USA by 33 percent. Lastly, demographic trends indicated increased pressure from 17 to 22 year olds for higher education up until 1991, after which it was envisaged that there would be greater scope to accommodate mature age students. To overcome these problems, the documents stressed the need for more investment in human capital, both private and public investment. The expansion (from 1986 total of 88,000 to approximately 125,000 graduates per year by 2001) envisaged as necessary in the Green Paper implied a substantial increase in high school retention rates, the expansion of TAFE two year graduate diploma courses, increased availability of higher education places, improved income support arrangements, improved credit transfer, increases in adult participation and a reduction of "drop out" rates.

Expansion is to take place within a restructured "unified national system", dispensing with the
binary system. The characteristics of this system include,

a) Greater institutional control over resources and decreased intervention by governments,

b) Fewer and larger institutions than there are at present, each with specific missions so that
the community benefits through specialisation and concentration of resources.

c) Diversity rather than artificial equalisation of institutional roles. Instead of resource
allocation being determined by binary classification, institutions will compete for

The key to enforcing reform are the proposed funding arrangements referred to as "educational
profiles", that is, statements identifying the role and mission of institutions, existing course mix
and the areas that an institution wishes to develop strengths. The statement forms the basis of a
contract with the federal government which determines the level of funding in accordance with
the institution's contribution to national priorities. From 1989, institutions will be awarded
one operating grant with the freedom to allocate funds as they see fit. Additions to this grant
for enrolment growth will be made in the Budget, allocated on a competitive basis, taking
account of institutional capacities in key disciplines of national priority. Such a system
contradicts the federal government's stated commitment to "liberalised resourcing
arrangements" as funding will depend primarily on the government's concurrence with an
institution's educational profile with negotiations conducted behind closed doors. It
strengthens the government's hand in dictating the shape of higher education, described by
FAUSA as "control through competition" (Australian, 10.8.1988). Should institutions choose
to remain outside the unified national system, they would suffer financial penalties, funded "by
contract for specified teaching activities" only.

The third section of the Green Paper addresses future funding arrangements. Both papers
stressed that budgetary difficulties will continue to constrain public funding, therefore,
alternative sources of funding are to be investigated "having regard to both the public and
private benefits that higher education confers" (Dawkins, 1987b:75). This last statement is a
significant departure from the view that education is a public good. It laid the foundations for
fees, or such like, to be charged on the grounds that education is a private good. Although
identifying considerable scope for institutions to raise additional funding, sources such as endowment income, commercial activities, state government contributions and the Higher Education Administration Charge, are limited. Consequently, the primary beneficiaries of higher education were targeted. The issue was not addressed in the Green Paper. Instead, a sub committee, headed by former NSW Premier Neville Wran, was convened to investigate funding schemes that drew on the contributions of students, graduates, their parents and employers.

The Report of the Committee on Higher Education Funding, or the Wran Report, released in April 1988, targeted graduates as the major source of supplementary finance, via a graduate tax, and to a lesser extent, industry sector contributions (see section 3.4.4). For a party supposedly committed to free universal higher education, the government's support for the graduate tax was a significant step, requiring amendment of the party platform at the June 1988 ALP Conference. (19) Despite concerns of electoral backlash, the graduate tax was sold to conference delegates as an equity measure striking at the regressive transfer of income to middle class students. It was favoured by many ALP politicians who consider that "some graduates, especially professionals, are taking advantage of a free tertiary education with little financial return for the public purse" (AFR, 23.2.1988:2). These changes marked the end of universally free higher education.

Dawkins announced the Higher Education Contribution Scheme (HECS) in the 1988 Budget which will replace the HEAC in 1989. Under HECS there will be an annual course charge of $1800, indexed to inflation, for each year of equivalent full time study. Students pay the tax through the tax system when a levy will be imposed on income over $22000 p.a. Alternatively, students can pay up front and gain a 15% deduction. The scheme is expected to raise $83 million in 1989, $98 million in 1990 and $126 million in 1991. By the end of the century over $500 million p.a. is expected (see appendix 3.4).

There was vocal opposition from student groups but as they were unable to mobilise broad
opposition and represented little electoral threat, no concessions were forced from government. Indeed, the graduate tax was seen by industry representatives as long overdue. According to one spokesperson, "...what we need to do is to produce more people who can make a worthwhile contribution to the economy... rather than be overladen with academics with Arts degrees that (sic) ... provide no return to the investment on their behalf made the taxpayers" (ABC,1988a). Cast as undeserving, privileged, middle class recipients of tax payer funds, the student cause has not generated public support.

The drafters of the two Papers incorporated a "human capital" approach to restructuring the higher education system, seeking to promote investment in a highly skilled, better educated population as part of economic development. One type of criticism to this approach (see *inter alia*, AVCC,1988; FAUSA/FCA,1988) has been to focus upon the lack of appreciation of the traditional role of the university and the nature of liberal education which stresses that one of the roles of the university is the critical pursuit of knowledge regardless of its practical application. While the Papers do mention the role of the humanities and social sciences in social and cultural development, these disciplines do not have immediately apparent "economic relevance" and are likely to be marginalised in the competition for resources awarded on the basis of economic relevance or "national priorities". The Papers would appear shortsighted in their emphasis upon vocational education, economic relevance and applied research, overstating the link between certain kinds of education and economic growth.

Coterminous with the Green Paper's human capital theorising, is its advocacy of free market principles of resource allocation. Competition is seen as a means to promote efficiencies, prevent duplication of functions and to provide incentives for excellence. For instance, the Green Paper argued that salary and appointment conditions should not restrict the movement of academic staff in response to changes in priorities or areas of demand. This is to be achieved by providing "an environment in which individual excellence in teaching and research can be recognised and rewarded, and in which inadequate performance is not protected". A Reserve Fund, comprising 1% of the total operating grant will be deducted and redistributed on the basis
of institutions "responses to specific Commonwealth initiatives", for example, trial programs for a longer academic year, management reviews and assistance for amalgamations and early retirement or redundancy schemes. Additionally, the ARC will provide advice on research priorities and to allocate competitively funds obtained from the operating grants from universities, with $65 million to be allocated in this manner by the end of the 1989-91 triennium.

There has been strong criticism regarding the "merit" criterion of an institution's access to research and teaching resources. For instance, there is the assumption that larger institutions are more efficient; institutions below 2000 EFTS will not be funded for research. The government has encouraged smaller institutions to seek amalgamation into units of more than 5000 or 8000 EFTS so as to guarantee access to some funding. (20) Another mode of criticism focused upon the Green Paper's data of Australian educational performance in comparison to the OECD countries. The claims, amongst others made by the government, are that Australian school retention rates for high school students are low, that the proportion of tertiary qualified people in the workforce is low, and that a country like Canada with twice the population of Australia has 739 000 university students compared to Australia's 174 800. A critical analysis of the data reveals that the structures of education systems and enrolments in Australia compared with other nations are so different that to make selective comparisons is "dangerously misleading" (Windschuttle, 1987:26; see also Windschuttle, 1988 and Hilmer, 1988 for supporting statistics). (21) Another critic considers that the problem is not so much mismatching data but the government's "selection of statistics to highlight relative weaknesses and conceal relative strengths" (Ashenden,1988). In other words, it is part of the government's political strategy to strengthen its case for reform. The reviews create a false perception of inefficiency in order to legitimise the government's objective of reorganisation.

The Green Paper, White Paper and the Wran committee recommendations were a turning point in higher education policy. The extent to which the system is resilient to reform is, as yet, unknown. Professor Roger Scott fears that institutions could emerge from the turbulence still
experiencing similar financial problems and a new form of binarism. The structural division between CAEs and universities has been replaced by new hierarchies of size, research capacity and market relevance (Scott, 1988:3). The consequence is that the relative market strength of some institutions, predominantly larger established universities, is reinforced, while smaller and peripheral institutions could be "locked into semi-permanent, second rank status" (O'Brien, 1988:57).

The arcane nature of higher education, its imprecise and conflicting roles of pursuing knowledge, promoting cultural development, engendering economic renewal and training skilled manpower, among a host of other things, means that the concept of higher education has not remained static but has been subject to different emphases in the post World War Two era. As a consequence, "what counts as higher education becomes negotiable" (Barnett, 1985:245). Thus, after the Murray Report, the universities were held as essential institutions for "national development", thereby legitimising Commonwealth funding. Importantly, it took an explicitly liberal view of the purposes of the university. The Martin Report also did not dispute the value of the liberal university and argued that such an institution,

...tends to emphasize the development of knowledge and the importance of research; in doing so it imparts much information which is valuable to the practical man, but which is often incidental to the main objective" (1964:165).

Nevertheless, the Martin Report also stressed the role of CAEs as the site of vocational training to facilitate economic growth. The Whitlam Government saw free education and further educational expansion as a means to fuel development but also emphasized the role of free education as a means of social mobility and development. More recently, however, "the general conception of the idea of higher education seems to have shrunk..." (Barnett, 1985:247). Through the Green and White Papers, the government has tended towards a narrow utilitarian view of the role of higher education, similar to that of the Martin Report but with even greater emphasis on efficiency and reorganising higher education around the requisites of structural economic adjustment.
Increasing central control has been accompanied by market strategies, such as the overseas student policy, to encourage institutional entrepreneurism and revenue generation. User-pays and competitive means of resource allocation have widened the domain of the market in higher education. However, the transformations in the public sector represent privatisation without liberalisation. This administrative environment has allowed the smoother more rapid implementation of Hawke Government privatisation policies for it excludes a number of actors from the policy determination area.

3.2. Methods of Privatising the Financing of Public Higher Education

The education system has been held partly responsible by the federal government for not raising the innovative threshold of society, to inculcate entrepreneurism or to produce the right kinds of skills that generate economic growth. However, an alternative view sees the problem not so much the fault of higher education institutions but residing in, as Harper and Milne (1986:1) argue, "the high level of bureaucratic centralisation and control that comes with existing funding arrangements". Course offerings and research are determined by bureaucrats and politicians who are under continuous pressure from vested interest groups, such as the academic unions, to mould the system to a particularist vision instead of reflecting consumer wishes. They, and others (see inter alia Milne, 1984; Brennan, 1988, Standish, 1985) argue that society's needs would be better served if higher education institutions were free to respond in accordance with their perception of the public interest and of their own needs, and that financial and operational autonomy could be achieved by obliging institutions to generate a substantial proportion of revenue from tuition fees and other fundraising activities. The public system is also criticised for being incapable of acquiring the information and incentives necessary to allow the evolution of activities that reflect diverse individual tastes. In other words, public provision enforces uniformity.

Some of the neo-liberal and free market criticisms of higher education have influenced public opinion and popularised alternative forms of higher funding and management. As indicated in
Chapter One, many privatisation policies have their origins in laissez-faire ideology. These policies have been selectively adopted by those influenced by elements of this ideology within the ALP, the bureaucracy and academia. In the higher education context, the forms adopted are generally of a user-pays nature and less so deregulation or load-shedding. This approach maximises non Commonwealth sources of revenue while preserving government controls and scope for intervention. Although the official rhetoric emphasises efficiency gains, improved accountability and greater participation, revenue generation is of equal, if not of more, importance than concerns of equity and social accountability.

3.2.1 Fees: A Recurring Debate.

Arguments that free education combats poverty and ignorance have not been fully realised. Universities and CAEs remain socially elite institutions despite the abolition of fees. Although women, minorities and Aboriginals have advanced in participation levels (albeit from a low base), there has been consistent under-representation of students from poor families, students whose parents have had little education or whose father's occupation is of low social status. A number of studies of diverse methodological approaches have come to this conclusion (Anderson & Vervoorn, 1983; Jones, 1987; Linke et al, 1985). In other words, school leavers whose families are in the top third of the social order (according to parent's income, education level or occupational status) are more than twice as likely to enrol as those from the middle third, and more than three times as those from the lowest third (Anderson, 1988:114).

In addition to a rural-urban bias, there are disparities between faculties (with medicine and law the least representative), between institutions (such as Wollongong and Syndey Universities) and between sectors; the TAFE and CAE sectors are far more representative than the universities.

Free education represents a redistribution of income from the poor to the wealthier through the tax system. While a policy of equal opportunity may be inherently equitable in the equal distribution of formal rights of access, its socio-economic distributional impact in practice has
been otherwise. This flaw in the policy of equal opportunity has provided fertile ground for free market economists seeking to question the appropriateness of publicly subsidised education as a mechanism for securing equality. The case for free education has consequently taken quite a battering in recent years for it appears not to have brought about the desired redistribution outcomes. Instead, the relative chances of persons from advantaged backgrounds entering higher education were better in the period after 1974 than in the three earlier decades as middle class parents have been spared the cost of tertiary fees thus leaving them the resources to buy private secondary school education for their children, enhancing their chances of access to a scarce public good (Jones, 1987:101).

The average cost of providing a three year degree course in Australia is in the vicinity of $25 000 to $32 000 (Dawkins, 1987b:79). Many students would not be able to pay a fraction of that cost. Nevertheless, from the free market perspective, students derive utility from free education. This has imposed an unnecessary burden on taxpayers because students demand more education than that for which they would have paid voluntarily. Tertiary education places rationed on the basis of academic merit inevitably exclude some people with high valuations of this good but with inadequate matriculation scores. Furthermore, such a system is inequitable as tertiary education gives a graduate enhanced income prospects and social status. The graduate gains unreasonably from the taxpayer compared to the unemployed or those who choose not to study at this level (Nurick et al, 1987:108). Access on the basis of academic ability is not seen as a true indicator of the "value" students place upon education whereas "a price system may be useful in weeding out students of low motivation"(Blandy, et al, 1979:133). Charging fees at full cost would supposedly result in a smaller but more able and better motivated student body. Technical efficiency would result from fewer dropouts and quicker completion rates as the result of financial incentive. In addition, institutions would become more allocatively efficient because they would have to adjust their course offerings to student demand rather than preserving and protecting the interests of the producer (Freebairn, et al, 1987). The full fee approach (ibid, Fane, 1984) seeks to substantially reduce public subsidies and create a true free market user pays system of financing higher education. Other
free market advocates, such as Gelber (1986), Watts (1987), Drake & Nieuwenhysen (1988) and those at the Australian Institute of Public Policy (Nurick, 1987) take a more moderate approach of nominal fees, say 10-15% of tuition costs, as a means of supplementing, rather than supplanting, federal funding.

In 1981 the fees issue re-emerged into public discussion with the Lynch "Razor Gang" recommendations. The "razor gang" proposed their reintroduction for students doing second and higher qualifications. However, the public outcry that eventuated, and the alignment of the Australian Democrats and the ALP in the Senate, saw the fees scheme and accompanying loans system blocked. Remaining dormant for three years, the issue re-surfaced in 1984-85 in the context of the Jackson and Goldring Reports. With the proposal to allow institutions to market full fee courses to overseas students, thought was given to charging full fees for Australian students who also fell outside the government funded tertiary places as a mean to expand access. By mid 1985, EPAC released a report (which was given wide media coverage) commissioned from economist, George Fane (1984). It was a radical document not only advocating full fees, but proposing the sale of the universities and colleges to the private sector, the free issue of visas to full fee paying overseas students and the removal of compulsory schooling after year 6. Although his proposals were treated with scorn in a majority of quarters, the impact of his paper was to place the fee issue back on the public agenda.

In 1985 ALP Senator Peter Walsh, entered the fray in support of fees. His justification was that free provision had not altered the socio-economic composition of higher education in favour of disadvantaged groups. Support for the claim that free education had cemented inequalities was derived from the statistical analysis of the Australian student population conducted by Anderson and Vervoorn (1983). This claim was challenged by CTEC (1985:40) for ignoring a number of countervailing factors. After 1974 the state governments phased out teacher education scholarships which had traditionally favoured students from lower socio-economic groups. (22) Had tuition fees not been abolished the rates of participation may have been far worse. Furthermore, TEAS eligibility was substantially tightened and its real value
eroded. As Gruen (1982:17) has found, in 1975, 75% of all Australian families would have obtained some financial assistance if one of their offspring had applied for TEAS assistance but by 1980 only 47% of such families would have qualified. TEAS has not been broad enough in scope to be an effective means of redistribution to large numbers of underprivileged students. There is also a growing body of writers who indicate that socio-economic status is a largely irrelevant factor in the transition rates of different groups of students to higher education (see Beswick, 1987b for an overview of the literature). As Beswick, has stated, "once school achievement (in the form of matriculation results) is taken into account, socio-economic status has very little predictive value for those who will make the transition to higher education" (1987b:134). A significant rise in higher education participation rates was highly unlikely in the past decade as the social composition of higher education closely resembled the social composition of Year 11 and 12 students. Reforms are needed through out the schooling process to improve the retention rates of lower socio-economic groups of students to the post compulsory years of schooling before their participation in higher education can be improved.

Walsh's proposals met immediate condemnation. (23) Susan Ryan, the Minister for Education and Youth Affairs, stressed the highly inequitable outcomes of fees. The public outcry and intense lobbying from the unions was sufficient for the education committee in Caucus to reject the fees proposal. This decision was validated by the release of an opinion poll which indicated that an electoral backlash was probable if the government sought to implement the proposal (Marginson, 1986c). While the Caucus decision was, in theory, final, Walsh and other members of Cabinet kept the debate alive. Importantly, Walsh's reasons for advocating fees lay with public expenditure problems. With an estimated saving of $325 million, Walsh's fee scheme would not only assist in reducing the deficit but would provide funds for increased assistance to pensioners and other social security beneficiaries.

...by presenting a socially desirable alternative with very strong egalitarian outcomes as an alternative to the 'regressive' and 'social elitist' provision of free tertiary education to the the children of wealthy families, the fees issue can be transformed into one of conflicting socialist priorities (Smart, et al, 1986:73).
Casting the education debate in this framework neutralises the potential electoral backlash and is a strategy for swinging both Caucus and the ALP National Conference to alter party platform.

In the 1986 Budget fiscal pressures became more evident when the government announced that it would levy a "higher education administration charge" (HEAC). The charge was quite low ($250 p.a in 1987 and $263 p.a. in 1988) but nevertheless represented a private contribution to the costs of higher education. A committee established to investigate the effects of the charge, the HEAC Monitoring Committee (1987:5) revealed that it had considerable impact on enrolment patterns with a redistribution of students away from part-time and external study towards full-time enrolment. The participation of mature age and female students, students with dependent children and students with household incomes just above the Austudy threshold was most adversely affected (ibid). If the imposition of a relatively modest charge has had such a marked impact, the effect of a higher fee on participation rates would most likely be even more dramatic.

The fee debate did not subside with HEAC. In early 1987 the Federal Opposition released its "Growth Plan for Higher Education" which incorporated fees, vouchers (see below) and deregulation of government controls. Institutions would be permitted to enrol students who did not receive government funding "on whatever basis they see fit" implying a "laissez-faire" attitude to fees. In December 1987, the ALP introduced, unimpeded by public debate, new legislation allowing institutions to charge fees for second and higher degree courses. The vagueness of the legislation allows the Minister to approve fees for almost all post-graduate courses. (24)

In conjunction with the export of education services, fees have been selectively imposed upon users of higher education services, targeting the most politically vulnerable first, that is, minority groups such as overseas students and post-graduates. It has been able to occur as a consequence of fiscal pressures on the government, shifts in public perceptions about the social utility of free education and the neo-liberal rhetoric employed by government that fees are
equitable. Fee imposition has, however, been a gradual process as it has been a politically volatile issue. The introduction of fees for undergraduate Australian students within public higher education has not yet been possible, although Bond University, Tasman University and other private ventures will be charging fees.

3.2.2 Loans and Scholarships: The Equity and Efficiency Trade-Off.

Ensuring that students from lower socio-economic groups are not excluded in a user pays system remains one of the most vexed issues in the fees debate. Despite the intention to improve access, and depending on the design of loans and scholarships, these schemes can have inequitable outcomes.

Student assistance is rejected across the board by market liberals on the grounds that, like free education, it represents a transfer of income to a relatively privileged group in society. Freebairn, et al (1987:116) characterise student assistance as "bribing" people to attend university while assistance to groups such as Aborigines, women and ethnic minorities is "discriminatory, arbitrarily benefiting members of groups who happen to be popular as objects of official charity". Similarly, government grants and scholarships are opposed by some neo-liberals because they support an intellectual elite. In effect, the less academically successful are taxed to assist the brightest students (ibid). Others (Harper & Milne, 1986; Nurick et al, 1987; Watts, 1986) argue that a plurality of scholarships can be awarded, not only on academic grounds, but also on financial and minority status, in order to achieve equality of opportunity along with efficiency.

Despite the conflict regarding scholarships, there is common support among neo-liberals for the introduction of student loans. However, evidence from the USA suggests that loans systems do not function efficiently or equitably. For instance, out of a $5 billion loans and grant fund, the US Federal Government pays out some $1 billion to private banks to compensate for defaulted loans (Ryan, 1987:16). Further, there has been an enormous increase in individual and family indebtedness, adversely affecting the participation by the less affluent and the black
population, particularly as tuition has increased at a faster rate than inflation (Fisher, 1987:19). A recent US study (Leslie & Brinkman, 1987) revealed that higher fees reduce higher education enrolments, that students historically have been more responsive to tuition fees than to offsetting student aid and that low income students are the most sensitive to price changes and frequently more risk averse in regard to loans. One reason why the prospect of debt is off-putting lies in the riskiness of career choice. Students are often not well informed in their educational choices and find that the costs can be daunting. Furthermore, female students, because they generally spend less time in the workforce than males and face discrimination in the labour market, tend to have erratic income profiles and thus have a "lower demand price" for education (Blandy, et al, 1979:136). In other words, loans are likely to act as a disincentive for women more so than men. In regard to risk averse working class families, the AIPP has stated that the problem "is a matter of attitudes" (Nurick, et al, 1987) and that there needs to be a change in perception for those who readily incur debt to buy consumer goods to extend the idea of borrowing to invest in education. As the Vice Chancellor of Australia's first private university, Professor Watts (1986b:5) said,

...Australian society understands hire-purchase as a means of capital investment.
As individuals they apply this understanding daily in their investment in a range of depreciating assets such as cars and washing machines. Surely, they can understand the value of a modest investment in the expanding asset of education.

Until there are changed attitudes to debt, less uncertainty in career choices and greater awareness of the value of education, loans schemes are likely to favour middle class families rather than the under privileged groups in society. These changes are not so easily engineered.

3.2.3 Vouchers.

A voucher is a coupon of prescribed purchasing power financed out of general taxation revenue which is given to a student to be redeemed at an institution of their choice. Vouchers are a form of government subsidy, used in conjunction with a fee system, but are of a direct and decentralised nature which can lead to the removal of government control and co-ordination in education. The government issues vouchers up to a quota of enrolments for which it has
funds. Allocation can be made on the basis of merit, minority status or whatever criteria the government chooses enabling the recipient to fully or partially cover the costs of fees charged at a government approved institution.

The only voucher schemes that have been proposed for the Australian higher education system are those of Richard Blandy (1979, 1986) and the Liberal-National Party in its Growth Plan for Higher Education (1987). Voucher proposals have been more prevalent for the primary and secondary levels of schooling (see, *inter alia* Hogbin, 1987; Fane, 1984). Blandy proposed vouchers repaid by a graduate tax. The value of the voucher would be, "...the average tuition cost (grossed up for administrative and capital maintenance charges) across all institutions in the system. Fees set by the institution might be more or less than the value of the voucher and vary by course..." (1986:195). As the voucher is of fixed value across all institutions, whereas fees are charged on a full cost basis, students would have to supplement their voucher to cover the fees of high cost courses such as medicine, and also, high cost institutions. Public expenditure could drop but overall expenditure would rise as students supplemented their voucher. The LP-NP Opposition favoured vouchers in the form of Higher Education Scholarships (HES). The proposed HES would be redeemed at any public or private university institution to cover the full cost of tuition. Fees are uniform across the board and students would not have to supplement their voucher as in Blandy's scheme. The role of government would be limited to ensuring that schools met certain minimum standards (Friedman & Friedman, 1980:168). An extension of this idea would be to issue vouchers to businesses in proportion to the company tax they pay. It would allow businesses to carry out the staff training they specifically wanted.

There are problematic features with voucher schemes when the market fails in education (see Karmel, 1987b). For instance, such schemes presume that students have perfect knowledge of the market; that is, of the quality and range of courses available and secondly, of labour market requirements upon which they can make career choices. This, of course, is not the case and ignores the well known immobility of Australian students. Additionally, for manpower reasons, government intervention may be necessary to prevent the over-supply of doctors or...
lawyers, or to increase student numbers in the sciences or teacher training. There is also the problem of removing excess demand for places in popular institutions or courses. To overcome concentrations of demand, popular institutions would need to borrow capital funds to finance expansion. The unpopular, "inefficient" institutions would be going to the wall if they were unable to fill their classrooms. This would pose a definite resource cost on the entire educational system, and hence the taxpayer. Alternatively, prestigious institutions could consolidate their market position as select, high quality and elitist institutions. The division into high and low quality institutions could be self perpetuating, creating distortions in resource allocation between institutions.

Voucher schemes, in conjunction with fees set by institutions, represent a far more radical proposal than simple fee schemes, as vouchers would decentralise control to individual institutions and remove planning from the hands of government. The current government has not shown any support for voucher schemes and it was ruled out by the Wran Report for such reasons. The LP-NP Opposition, however, has shown interest in vouchers and would probably consider such a scheme to support private higher education institutions when in government.

3.2.4 Graduate taxes and industry levies.
Graduate taxes are another method of recovering the costs of public education from the consumer. Until the Wran Report, however, the concept was not given a great deal of attention. The simplest form of a graduate tax is a levy, say 1 percent, on top of a graduate's income. This could be levied throughout the recipient's working life and increased as their income increased. Questions arise regarding when, for how long and at what rate the levy should be imposed. A tax could be levied for a specified time or for life. Additionally, there is the question of whether those who enrolled in high cost courses such as medicine, should be levied at a higher rate.

An Australian graduate tax was originally proposed by Richard Blandy (1979) in conjunction
with his voucher scheme. Students would repay the value of their voucher, which was of a set value, into an endowment foundation. This foundation was to allow institutions greater financial independence from the government. While Blandy’s scheme was recognised as an alternative, it was not given real credence at that time. In 1987 two more graduate tax schemes were outlined in the Australian Universities Review (Bulbeck, 1987; Wells, 1987). (26) An income tax levy scheme was seen to have a number of advantages in that it would not have adverse repercussions of equal access to higher education unlike fees and student loan proposals, that is,

1. Payment will depend on earnings; those who do not realise the pecuniary potential of their degrees will not be forced to repay heavy loans.
2. Payment will occur when the graduate can afford it, that is, after reaching some predetermined thresh-hold level in earnings.
3. Those without degrees will not pay for the tertiary education of others.
4. The pressure on higher education funding would be relieved.

Increasing interest in a graduate tax emerged with the establishment of the Wran Committee. The Wran Report argued that as graduates were the prime users and major beneficiaries of higher education, usually coming from the higher socio-economic stratas of society, they should contribute towards the costs of their education. The Wran Report proposed that graduates repay 20% of their course costs once they started earning over the thresh-hold of $21 500 per annum.(27) The funds generated are to be paid into an “Education Foundation” (see appendix 3.4). Repayment would be made through a 2% tax debit on annual income. There is however, a discounted rate for up front payment. This option turns the tax into a fee. Indeed, the scheme has been described as a “government bankrolled loan scheme aimed at recovering a disguised tuition fee” (Australian, 9.3.1988:14).

Although the rhetoric of equity was employed throughout the Wran Report, criticism of the graduate tax revealed some inequitable implications of the tax, and the inconsistent and selective application of the user-charges logic. As a financial penalty, the tax imposes a disincentive to
entry to higher education and this disincentive is likely to be strongest among poorer groups of students than the more wealthy. Additionally, the tax would impose a greater burden for graduates with dependents and housing mortgages on a salary of say $28 000, than unmarried law graduates with an income of $50 000. The tax is not responsive to the capacity of individuals to pay. The tax will also fall more heavily on wage and salary earners than on the self employed or those able to pass on the tax through increased charges, for example, dental and legal services. Nurses, teachers, social workers and laboratory assistants do not work in highly paid professions and the tax would discriminate against these professions. The option to pay costs upfront with a 15% discount would disadvantage lower income groups. Even though the government claims that it wishes to "remove any financial impediments to students from low income backgrounds" (Dawkins, 1988a:18), the 15% deduction will allow higher income families to pay less for higher education, forcing low income families to opt for the more costly tax. Such factors cast doubt on the tax as an equity device.

There is also evidence that graduates already make substantial returns to federal coffers through the tax system, and that ordinary tax payers are not subsidising students in the long term (Kelly, 1988). Taking into account income foregone, male graduates on average pay $141 000 more in taxes over their lifetime than men who commence work immediately after school. The returns from women graduates are about half as much because of child raising and concentration in lower paid jobs. Nevertheless, overall the federal government gains a 5.5% rate of return on investment in male undergraduate education (ibid). For post graduate students, the income foregone is more considerable despite approximately a 40% contribution to all research undertaken in universities (ASTEC, 1987). A disincentive to post-graduate study has the potential to severely diminish Australian R&D. Furthermore, there would be strong incentive for post graduates to take up appointments overseas as a means to avoid their higher tax burden, thus contributing to the "brain drain". (28) Teachers and other professional groups would also be unwilling to upgrade their credentials to Diploma or Masters level because of the associated costs and diminishing returns to status and salary at that level of education.
The Wran Report's application of the user-charges argument is unsustainable in a broader context. As the Australian Democrats (1988) have argued, "the extension of this logic means those who receive unemployment benefits should pay it back by an additional tax, the sick after they get healthy and so on". This inconsistency is found within the Wran Report itself. While the Report targeted graduates as the beneficiaries of higher education and outlined the mechanism for recouping funds, another major user, the private sector, has not been subjected to a tax. The President of the ACTU, Simon Crean, has already floated the notion that employers contribute towards the training of graduates. Similarly, FAUSA and FCA (1988) have advocated a levy equivalent to 2% of company tax as a means to return approximately $330 million to the higher education system. Not surprisingly, the idea of levy is not popular among Australian industry.

The administrative costs of monitoring student tax files and accessing information from student files in universities and colleges may also pose significant problems and represent a new inefficiency in the cumbersome recuperation and reallocation procedures. With the fees that exist for overseas students, some postgraduate and short-term courses, combined with the administrative complexity of the graduate tax, a future government might find it easier to drop the tax and adopt fees. Similarly, there could be greater incentive for institutions to charge fees than to wait for the federal government to reallocate funds from the tax.

By imposing a financial penalty, the graduate tax would act as a disincentive to the Government's drive to increase participation. The Wran Committee has, ...

...committed the classic fallacy of conflating two separate issues - the social objective of increasing access, participation and equity on entry into higher education and the economic requirement to fund higher education in the overall political economy of Australia - and thinking that implications of assenting to one may be drawn directly with respect of the other... there is no such necessary connection between securing the goals of equity, access and participation and imposing the cost of doing so on
the cohort of students involved...(Macquarie University School of Education, 1988:8).

A graduate tax could merely have a weaker impact than tuition fees of imposing another structural barrier to the access of disadvantaged groups. The disincentives of privatised higher education financing would fall disproportionately on postgraduates, women, minorities and salaried workers.

3.2.5. Marketing and Deregulating Academia.

Higher education institutions and academics have always been subject to pressures to be more entrepreneurial and efficient. In the past, the academic community has largely decided how to best serve these ends. More recently, the federal government has sought to dictate the mode of accountability. As the Chairman of the newly established Australian Research Council (ARC), Professor Don Aitkin, has stated, the federal government, through the ARC will encourage "selectivity and concentration" in research funding as "government is naturally interested in research that would quickly improve our balance of payments or our competitive position in international markets" (1988:2). This is to be done through increased university-industry liaison, the marketing of consultancy and technological skills and the selective allocation of research resources. Marketing is to be made easier by a deregulation of government controls and measures to improve institutional flexibility. The current conflict regarding the role of higher education in society consequently revolves around the extent to which academia maximises the values of generating knowledge, seeking truth and inculcating a liberal scholarly tradition against competing demands for economic relevance and applicable research. However, fiscal and political pressures on universities and CAEs have compelled conformity to the research and curriculum preferences of their funding sources, that is, the federal government and the corporate sector.

In efforts to dispel claims of unreceptivity to societal needs many universities and CAEs have established marketing companies (see Millis,1987). Several companies have been in operation for a number of years but marketing of R&D is now more vigorously promoted. (29) Similar to other user charges schemes, it is a means of private fund raising through commodification of
higher education. The sale of consultancy skills and the development of patentable 'know how' through university or CAE marketing companies is also an attempt to offset funding cuts and fulfill expectations of developing more relevant links with industry. In addition, institutions have engaged in co-operation with business in providing courses. The federal government has already partly sponsored 200 places in courses in computer information in which students will spend up to 30% of their training in private companies. Similarly, business often assists universities in offering PhD scholarships and research funding in specific areas of inquiry. (30)

Private financing has not been without its pitfalls. The University of Melbourne has accepted funding from an American owned company, CCH Pty Ltd - a law book publishing firm - for the CCH Chair of Taxation Law. In itself, private financing for a chair is uncontroversial, however, the company reserved the right to nominate the occupant. Accusations that the University was "selling professorships" instead of going through the usual selection process of peer review, were rife and the media portrayed it as an abrogation of academic standards (National Times, 15. 11. 1985:42).

Plans to set national priorities in research has met with considerable hostility from academics. One criticism is that following the dictates of industry may choke off lines of inquiry whose potential cannot be realised until a later stage of R&D, that is, it,

...tends to streamline both university research projects and manpower training to fit in niches of existing industry. Creativity is then narrowed down to specified areas of research. This denies the universities the potential for discoveries... on which new industries can be built (Cooray, 1986:68).

Neumann and Lindsay (1987:204) similarly are of the view that greater centralisation, coordination, selectivity and concentration poses dangers for research institutions in the form of aversion to risk taking, bureaucratisation of funding and an over emphasis on short term goals at the expense of more fundamental research. Commodification of research reinforces an instrumental perception of the role of higher education, undermining the broader and less tangible benefits of pure research and non vocational disciplines. Some also fear for academic freedoms as institutions seek to regulate more closely those who possess commercially valuable
intellectual property (Bessant, 1986:14).

Academic conditions of employment have been attacked as inefficient, privileged and rigid, slowing down responsiveness to economic and social needs. University and CAEs find it difficult to attract staff into the highly paid professional disciplines and almost impossible to dismiss incompetent teachers. Academia has consequently been portrayed as the "refuge of the unworldly" where the intelligentsia are "cocooned from cradle to grave with life tenure and indexed pensions" (Standish, 1985:5). This is regarded as having an adverse influence on research output and teaching performance since tenured academics are insulated from market forces and face negligible rewards for effort. Proposals that give scope to free market forces are seen by many neo-liberals (Milne,1984; Harper & Milne,1986, Nurick,1987) as the remedy where better salaries and conditions are provided for famous and talented faculty members in order to stem the "brain drain" and attract fee paying or voucher students. The federal government is not prepared to allow market forces to determine teaching priorities but concern about teaching standards and practices but has been subject of several official reviews.(31) The privilege of tenure has consequently come under considerable fire and could be "more sparingly granted" (Gelber, 1986:16) with greater use of fixed term contracts and part-time appointments.

The pressure for economic relevance has hastened the deregulation of salary scales for academics and provoked reorganisation of internal management, staffing and research priorities. A viable income package is needed to attract sufficiently qualified academic staff in law, medicine, accounting, engineering and other professions where salaries are high. The alternative is to appoint under-qualified or second rate practitioners to teach these vocationally oriented courses which are often, oversubscribed. To this end, the federal government has supported increased salary flexibility in the form of non salary remuneration, access to consultancy income and salaries above award rate, so that institutions become more competitive with the private sector in the attraction of staff. Those possessing scarce skills of high demand could enjoy greater access to supplementary income. Some categories of academics are likely
either to be paid more for the same type of work as others, or to be less qualified than colleagues at the same level in other disciplines. An elite group of institutions and staff within institutions could emerge as an outcome of market pressures in staff recruitment where some have greater opportunity for research because of predetermined notions of "relevance". Blackmore and Kenway (1988) argue further that teaching responsibilities are likely to fall disproportionately on women who tend to be concentrated in the "less relevant" humanities and social sciences. They could, therefore, have less time for research and limited access to research funds and consequently, be less qualified for promotion. Amalgamation of institutions could speed up the process since "incorporating a sizeable percentage of CAE staff into a new jumbo institution will provide a relatively easily identified group of non-researchers to non-fund" (Scott, 1988:14). Greater tolerance for larger class sizes and part-time teaching may result in courses where academics are primarily teachers and not researchers, and Professor Scott envisages a decline in standards if the new class of academics give lower priority to research, especially where there is monetary incentive to pursue outside earnings. In short, the "new binarism" based on institutional size, research functions and vocational-industry relevance, is characterised by "staff arrangements which set academic against academic" (O'Brien, 1988:60).

These divisions are exacerbated by the reform of institutional management. A former chair of CTEC, argued that financial prosperity in the 1960-70s encouraged "participative decision making" and "democratic procedures" (Hudson, 1985), that is, a style of governance based on consensus. The financial penalties of this ponderous structure were a major concern of the Green and White Papers which advocated a managerial approach of middle level management to further rationalise the highly centralised administration of higher education. University administration becomes the task of "management" as academics are increasingly confined to teaching and research roles. Decision making is to be made at higher levels, on smaller boards and councils in what is called "a strong managerial mode" (Dawkins, 1988a:103). While there has been a degree of liberalisation in salary and appointment conditions, and greater competition for research funding, this is contradicted by a trend towards stronger central control both within
institutions and in the policy environment.

3.3. Summary: Widening the Domain of the Market

The push towards privatisation in higher education has been described as "inevitable" in the current fiscal crisis. According to this view, "...the growing rash of privatisation proposals (are)...the inexorable consequence of the Commonwealth's inability and/or unwillingness to adequately maintain tertiary support, let alone properly finance tertiary expansion" (Smart, 1986:20). Privatisation in public higher education has been of a specific variety. The federal government has not privatised the provision of education but has sought to privatise and diversify funding sources such as through private research funding and user-charges. However, only some forms of user-charges have been politically acceptable. As the hostile reaction to Walsh's fee proposals in 1985 indicated, the reintroduction of fees is electorally unpopular. The federal government has therefore needed to find more palatable forms revenue raising and at the same time, cast the user-pays scheme as equitable. The graduate tax was promoted as more equitable than both a fee system and free education. The rhetoric of equity performs a vital function for the Hawke Government by providing political legitimacy for the tax. In reality, the introduction of user-pay schemes has more to do with the Hawke Government's efforts to reduce budgetary pressures and improve exports, rather than social justice. These policies widen the domain of the market by transforming education into a commodity. Private exchange enters the higher education system and principles of collective responsibility recede. People are expected to meet some of their educational needs from their own financial resources, and as Kenway and Blackmore (1988:54) note, "...although the government will continue to talk as though it is interested in social justice", it will be less able to counteract undesirable market outcomes of unequal access to education.

Another factor propelling privatisation has been the influence of neo-liberalism. The success of economic liberalism has been in capturing the policy agenda rather than the achievement of specific policy goals. (32)
New liberal ideas have made their mark on practical politics, if not always in determining the details of government programmes, then certainly in framing the issues (Green, 1987:213)

The impact of neo-liberalism has been in cultivating the view that a needs-based approach, of targeting higher education resources to disadvantaged individuals, is more effective than the universalism that has prevailed since 1974. The discipline of the market has been portrayed as a more efficient means of resource allocation and a more dynamic incentive to increase the productivity of institutions, academics and students. In the context of expenditure control, the Hawke Government has not been immune to such proposals and has selectively employed free market principles in policy.

Vulnerability to privatisation initiatives has been compounded by the poor image of universities and CAEs. Claims of inefficiency, waste, lack of relevance and elitism perpetrated by the media, government and academics, combined with deteriorating standards as funding has been squeezed, have done little to improve the standing of the higher educations system in the public eye. The government has used the situation to impose a new administrative mode and direct the objectives of higher education primarily towards assisting the restructuring of the Australian economy. Privatisation has consequently been accompanied by centralisation of control. There have been some deregulatory measures in employment conditions and research funding to improve institutional flexibility, but these have not undermined the federal government's overall control. In other words, they are "government guided market forces". The abolition of CTEC and creation of DEET has circumvented the power of traditional policy actors. By marginalising a number of possible opponents from real input to the review process of the Green Paper and Wran Report, and by reorganising the administrative environment, the pursuit of privatisation and other reforms, has become an easier task for government.
Chapter Four

Private Higher Education Institutions in Australia

Throughout this study, privatisation has been cast as a pragmatic response to overcome resource constraints. The previous chapter focussed on the policies of the Hawke ALP Government to overcome these constraints. This chapter and the next, focuses on the emergence of private institutions of higher education. Private institutions have not been explicitly encouraged by the federal government but they nevertheless aid or complement some of the broader objectives of the federal government. The development of a private sector assists the government by: a) providing more tertiary places to meet unmet student demand; b) contributing significant private funds increasing the higher education resource pool; and hence, c) indirectly contributing to political stability and popularity of a government. On the other hand, private institutions create new problems for the federal government, particularly, as overseas experience reveals, private institutions inevitably seek public support. Accordingly, this chapter will address the types of private institutions that have emerged, why they have emerged and the limitations on their development.

Primarily, private institutions have emerged because of high unmet Australian and overseas demand but there are two major limiting conditions on private growth in higher education. These are firstly, the complexion of demand which determines whether private higher education is something "more, different or better", than that publicly provided. The availability of capital and the manner in which private resources are acquired (through fees, voluntary support, government subsidy) is the second structural limitation on the emergence and viability of these institutions. "More, different and better" kinds of education are categories derived from Geiger (1985, 1986). In situations of high excess demand that cannot be met by the state, private developers are provided with an opportunity to provide "more" education to meet the shortfall. They become overflow institutions. "Different" kinds of education are provided to meet the specific needs of minority or culturally distinct groups in society, for example, the emergence of private Catholic schools or universities in a predominantly white anglo-saxon protestant
society. "Better" education can be supplied privately, if there is significant dissatisfaction with the quality or content of the public service. Such institutions aim to be elite through provision of qualitatively superior education and qualifications. Regarding the second limitation, the survival of private institutions is dependent on viable funding sources, that is, tuition fees, bequests and endowment funds, alumni support, government grants and student aid, and corporate sponsorship. They seek to maximise all sources, but some have better success than others. The form of revenue raising influences the functions and purpose of an institution. Dependence on tuition fees is likely to force an institution into certification functions and concentration on high demand vocational courses, whereas extensive corporate and philanthropic support enables institutions to subsidise research and other relatively expensive activities.

Although private institutions have been able to emerge because of shortfalls in public provision in Australia, these institutions must also attract academically renowned staff, academically talented students, and provide a high quality service through investment in facilities, libraries and faculty in order to inculcate a perception that a private university degree is of equal if not higher value than the public good. The enormous capital and recurrent costs are a major inhibiting factor on a private institution attempting to better the public service. Private philanthropy would have to be a major source of capital funding, for to recover costs through exorbitant fees is quite obviously, counterproductive. Consequently, the potential for profit from this activity is minimal. Unless there are other compensating factors such as government subsidisation or related spin offs from real estate and tourist developments, private institutions are likely to encounter financial difficulty. Activities ancillary to the provision of private higher education are, in the main, necessary for survival of the private institution. The existence of these structural constraints means that the private sector in Australia will be peripheral to the public sector for the foreseeable future.

4.1. International Patterns of Private Higher Education Provision.
A brief comparison of overseas experience with private higher education institutions is illuminating in revealing that nearly all such institutions have acquired some form of public assistance. Very little scholarly work has been conducted on private higher education systems as a specific phenomenon. Consequently, this section will draw heavily upon the work of Geiger (1985, 1986b & 1987), Levy (1986a,b &c) and, to a lesser extent, Brenneman and Finn (1980) and the Carnegie Council Studies on Higher Education (1982) covering the European, Japanese, Latin American and US private institutions. The developers of Australian private institutions have, to-date and inappropriately, compared themselves with the elite universities of the USA.

Traditionally, in the Western World, higher learning has been provided by private or independent (municipal) institutions, often closely associated with the Church. Profit making higher education is, historically, an aberration and is generally limited in the present, to specific kinds of institutions - the narrowly vocational college. As Geiger (1985:386) discovered;

Advanced level (education) is, with a few exceptions, only offered on a for profit basis under certain restrictive conditions - when there is considerable excess demand for given kinds of instruction, or when the immediate end in view is a valuable credential or opportunity, as with licensing or entrance examinations.

As an example, during the 1960s, the private sector in Turkey (with 20% of total student population) was able to recoup a profit in higher education, only by capitalising on high excess demand (Levy, 1986c:209). In Australia, to date, only the business and secretarial colleges, as well as the English language institutions, are profit making.

Most private institutions undertake three strategies to bring in revenue: maximising student enrolments for a fee; attracting public and private funds; and lastly, cultivating voluntary support. Thus some institutions are tuition dependent, others reliant on generous alumni support while the elite research universities have maximised all three sources. In the past the capital needs of higher education were relatively modest by present day standards.

...a few buildings could be made to suffice for most purposes... (while) sporadic
gifts, and church affiliation often provided the organizational means for raising modest amounts of voluntary contributions (Gieger, 1985:388).

Circumstances changed in the twentieth century with the expansion in enrolment, particularly after World War Two. Universities were faced with new capital needs and the rising costs of technology. The ability to raise the necessary capital became a limiting condition for private universities throughout the world. In many cases, the provision of government land and capital was the precipitating factor that brought private institutions under government control. The civic universities of England, McGill and Laval in Canada and the Swedish universities of Gothenberg and Stockholm, for instance, were originally independent providers until incorporated into the state system. Additionally, the unprecedented expansion of public higher education throughout the Western world in the 1950s and 1960s limited the potential for the emergence of new private institutions. Private growth was undercut by the expansion of the public sector.

European institutions of higher education, which have traditionally been independent from the state, have increasingly been incorporated into state systems in the twentieth century. In Belgium and the Netherlands, private institutions reflect "deep seated cultural preferences of religious communities that have insisted upon their institutions being independent from the state" (Geiger, 1986b:215). Catholic higher education (and also Calvinist in the Netherlands) emerged in response to groups seeking to develop an education system under their own control, for example, the Free Universities of Brussels. Yet, modern day governments have assumed much of the financial responsibility of running these "independent" universities. This need was compounded by a blowout in student demand. Although there has been some sacrifice of financial autonomy, government support has assured the continued provision of "culturally different education". Furthermore, these independent institutions, faced with rising capital and recurrent costs, wishing to maintain a qualitative edge in the university stakes, found it necessary to approach government for additional funds.

Staying afloat in the academic mainstream... has meant obtaining full funding from the public fisc; and... the abandonment of private control (Geiger, 1985:394).
These independent institutions exist parallel and complementary to the public sector.

There is only one private university in the UK which was specifically established as an alternative to the state monopoly (see Beloff, 1979). Founded in 1973, the University of Buckingham has become a participant in the UK system of external examiners and it can thus claim that its goods are up to the standard of other British universities. (1) Maintaining the standards of a rounded liberal education, however, has required the university to remain small - approximately 600 students - because of the difficulty of attracting capital into the more expensive science disciplines. The University has a high proportion of overseas students and only began attracting domestic students in large numbers once students became eligible for government grants. UK students tend to be attracted to the courses, such as law, where there are high quotas in the public system. Nevertheless, Buckingham has succeeded as a private alternative in a public system but the founders "have not yet demonstrated why they should have bothered" (Geiger, 1985:396). The university is not the first choice of British students and it is impossible to identify its positive or negative influence on the public system. It is peripheral and insignificant in comparison to the public sector and faces continual financial difficulties. (2)

In Latin America, by contrast, growing economic prosperity and population growth since World War Two saw demand for tertiary education expand beyond the financial capacities of governments (Levy, 1986b). The private Catholic universities were re-established first, followed by elite private universities. In Mexico and Venezuela, for example, unprecedented growth and politicisation in the public sector encouraged middle class students to seek a private alternative. There was demand for "politically safe schools... dedicated to preparing for careers in private industry" (Gieger, 1986b:215) affordable only for the bourgeoisie. Lastly, a large, non elite sector has been established to sap up demand. Across the continent there are specific anomalies relevant to the socio-political circumstances of each nation. Except for four nations - Chile, Brazil. Cuba and Uruguay - the private sector serves a minority of the student population. Funding profiles differ substantially. Mexican universities, with 15% of student
enrolments, received almost 100% of their income from non-government sources and are administered by private boards. Chilean private institutions, on the other hand, received much of their funding from the education ministry (Levy, 1986b:187). In most countries, research and the more expensive forms of graduate training are publicly funded.

In Japan over 75% of college and university students are enrolled in private institutions. The Japanese private higher education sector has been responsible for meeting the increased demand of the post World War Two era whereas in most Western nations it has been the public sector that has expanded. However, the expenditures of universities increased by a factor of thirty seven between 1955 and 1974 and educational costs rose 60% faster than the Consumer Price Index (FAUSA/FCA, 1988:66). With rising student militancy in the 1960s the costs of expansion could not be passed onto students as average fees were already over a fifth of the median family income in 1965. As a consequence, many private institutions fell deeply into debt. A 1970 OECD review revealed that the private sector was virtually bankrupt and this prompted the government to provide subsidies from 1971 onwards. Nevertheless, private institutions remain heavily dependent on fee revenue, engaged primarily in instruction without lavish expenditure on amenities, or great involvement in research. Fee levels more closely resemble the costs of study (up to five times greater than fees in public institutions) with greater cost differences between faculties within a university than between universities. Similarly, India is dominated by private colleges, the heritage of British colonialism. Instead of financing the development of a public system of higher education for their Indian subjects, the British subsidised private initiatives as a less costly option. The Philippines is also characterised by a mass private system, servicing 93% of the student population (Levy, 1986c:208). (3)

The American private university and college sector has been the most successful in the world in raising private capital, particularly through philanthropy. The large foundations, such as the Carnegie, Rockefeller and Ford Foundations, have encouraged research, provided student scholarships and developed libraries to promote excellence (Chiet & Lobman, 1980). A major source of income has been alumni which has allowed the older more prestigious universities to
devote more resources to each student. The great majority of private institutions, however, are much more diverse in character. As Gieger (1985:390) has said, "the wealthy American private colleges are the exception in private higher education".

Liberal arts colleges, for example, are very diverse in character, ranging from the wealthy, selective colleges to the poorer and vocationally oriented colleges. Although the emphasis in each is upon undergraduate education, the former category can be highly endowed through alumni support, providing a strong education "involving a four year commitment to the formative influence of a distinctive cultural milieu" (Gieger, 1986b:233). Swathmore and Wellesley, for example, would fall in this category. At the other end of the scale are the tuition dependent colleges which may have strong religious affiliations, provide vocational qualifications and are often less selective. Unlike the higher status colleges, these institutions must place a greater effort on enrolments to maintain income and have fewer resources to devote to extra facilities. The liberal arts college, however, operates in a different marketplace to the private research university and also the large urban universities. In general, the large private research universities, such as Stanford, Harvard, Yale, MIT, Princeton and Chicago provide a "better" form of education through devotion to research, the attraction of the most competent students, the subsidisation of tuition through endowment and alumni funds, the attraction of research funds and the emphasis on postgraduate research. They set high standards for the academic community as a whole and provide superior educational opportunities which is made possible by their considerable wealth. Again, the large urban universities do not fall into a distinct category. They were formed to service the city population generally of a vocational orientation with professional schools of medicine, law, business and so forth. They are inclusive rather than exclusive in student admissions. The group would include the Catholic universities as well as non sectarian institutions some with a strong research interest and others concentrating on undergraduate education. (4)

In the 1970s the private sector in the USA experienced a crisis. Rising costs and financial stringency forced private colleges and universities to raise tuition fees to meet accelerated costs.
The widening tuition gap between private and public institutions is attributed, along with demographic trends, as a primary cause in sagging enrolments in the private sector (Carnegie Council, 1980:40). The financial position of the private sector has been further affected by the increasing size and geographic spread of the public system. The crisis had differential impact on the private sector. There was greater volatility of enrolments among the less selective liberal arts colleges while the small, rural or new institutions, particularly those concentrated on teacher training suffered most. The less vulnerable were institutions of high quality, strong religious orientation, long traditions of alumni support, distinctive academic programs, special clienteles or attractive locations.

Concerned presidents and directors of private institutions turned to federal and state governments to stave off decline. Many supported new forms of support, such as tuition tax credits and voucher schemes, as well as direct institutional aid and tuition sensitive student aid. The private sector stressed its contribution to the nation. For example, the Carnegie Council (1980:118) estimated that in 1977 the private sector saved taxpayers about $5 billion a year - the calculated cost of the states absorbing private enrolments into the public sector. To assist in lobbying efforts the rhetoric of the private sector changed.

The recent shift in self designation from "private" to "independent" common among the colleges and universities is intended to buttress the case for increased public support, since the new label stresses independent governance of institutions serving public purposes (Breneman & Finn, 1978:5).

They were largely successful in their efforts. Federal government aid increased markedly; from $200 million in 1960 to $1.25 billion in 1970 to $5.5 billion in 1980 (Friedman & Friedman, 1985:152). The access of low income groups was an explicit goal of public policy, consequently, it was "difficult to deny student state aid to otherwise eligible individuals simply because they matriculated in private rather than public universities" (Brenneman & Finn, 1978:45). By channelling aid to the most needy students, leaving untouched the system of tuition pricing, private institutions continued to charge fees at levels that could be afforded by the more wealthy.
The existence of the US private sector is crucially dependent on the policies and actions of government. The research of research universities is largely funded by the federal government; the tuition of private institutions is offset by student aid and grants, and private benefaction is given incentive via the tax system. The gamut of private higher education has been sustained, in large degree, by public policy. These are policies that cannot be taken for granted in either the American or Australian context. As Macklin writes (1987:2),

In no country of the developed world is there a truly free market system of higher education standing alone or alongside of a public higher education system. Where there are private institutions, with few exceptions they are non profit organisations and heavily subsidised by the public purse.

There is no reason to believe that Australia can escape this trend in the long run.

The work of Geiger and Levy demonstrates a global pattern of market failure in higher education provision. Private universities and colleges have been unable to enter capital markets and unable to charge full fees. The rigours of the market are too severe and all nations have taken steps to shield their private higher education institutions. This includes the USA which is described as "an unnatural market" of philanthropy and government price supports (Geiger, 1985:397). In the high cost higher education field it is not feasible to charge fees that reflect real costs. Accordingly, private institutions have had to rely on government support to remain in existence while the pursuit of academic excellence has required further government support. Schools wishing to offer a qualitative advantage must keep abreast of knowledge and the standards imposed by academic disciplines. "Just to avoid being stigmatised as second rate implies employing teachers who are respected by the professional peers..." (ibid:394) and that commitment requires extra costs in terms of facilities and research time. This leads to an essential point; public policy has been, and remains, central to the fortunes of the private sector in each country.

The private sector is generally in the position of trying to sell a service that can be acquired
elsewhere at greatly subsidised rates. As a consequence, private institutions are implicitly compelled to provide something "more, different or better" than the public sector. There is an inherent competition which, according to Geiger (1985:391), "motivates private schools to sustain the quality and variety of their programmes". These motivations place an upward pressure on costs which, ironically, cannot be passed onto the consumer because of competition from the public sector. Only elite institutions have the capacity to provide across the board qualitative advantages in order to continually attract private funds. The elite liberal arts colleges of the US can concentrate on smaller classes, individual faculty attention, extra curricula activities and generally attractive facilities to maintain quality because of generous alumni. Similarly the private research universities offer many of the same advantages plus extensive research facilities and the scholarly attainments of academic staff funded by government research contracts and endowments. By contrast, the tuition dependent colleges are limited to providing "more" or a "different" kind of education oriented towards specific cultural groups.

The pattern of private higher education provision has also differed across the globe according to different socio-economic conditions. Japan, India and some of the Latin American countries exhibit mass private systems of higher education. On the other hand, the Netherlands and Belgium represent a homogeneous system where the private and public sectors co-exist under a single system of non discriminatory state funding. Alternatively, there are the minority private sectors such as that in the UK. This last pattern is of most relevance to Australia given that most developments in Australia are recent, and that a number of proposed campuses have failed without even progressing beyond the feasibility study stage. The following discussion will demonstrate that private provision in Australia is likely to be of a peripheral nature, albeit on a slightly larger scale than that experienced in the UK.

4.2. Institutional Modes of Private Higher Education Provision

Private colleges and institutes have been in existence in Australia for most of this century,
however, these institutions, such as the three non-government teacher education colleges, have been incorporated under the wing of state regulation and funding, and remain private only in a nominal sense. What is remarkable in recent developments, is the number and scale of proposals. Generally speaking, private higher education has not been part of Australian tradition as it entails high capital costs and low rates of return, keeping entrepreneurs averse to investment in this activity. Nor was there any need to invest in private higher education while the state was willing to provide public and relatively accessible higher education.

The situation has changed markedly since 1985. This year was significant not only for the announcement of Australia's first private campus, the Yanchep International Campus, but also for the rapid institutionalisation of marketing education to overseas students. With reports of burgeoning Asian demand, the government drew the attention of public institutions to the profit potential in the Asia student market (Tease, et al., 1986). The policy was directed at public institutions but it had the unanticipated results of sparking the interest of private investors. While not profitable in itself, full fee courses can be combined with real estate development, R&D activities or tourism initiatives. Consequently, the FFP overseas student policy was a necessary but not sufficient condition for the emergence of private higher education institutions in Australia.

There are a diverse array of private higher education institutions planned, but all fit into the general categories identified in Chapter Two, that is, hybrid, semi-private or fully private institutions. These structures are addressed below in regard to the most advanced private projects. There are too many proposals to be discussed in full but they will be briefly reviewed before going onto a more detailed assessment of private institutions.

A number of ventures have been announced in the media but little is known about them, as yet. It may eventuate that a number of these do not come to fruition. One proposal already in this category was a venture with which WAIT (now Curtin) was indirectly associated through its consultancy company, WAITAID; the Thomas Peel College. Announced in 1986, this venture
was to be built in a small town 60 kilometres south of Perth. Heralded as a "Harvard style campus" (Ormond, 1986) it was to open in 1988. Full fee diploma courses in business and computer studies, English language, and secretarial studies were to be offered supposedly with assistance from a public validating institution. Since initial media reports, little has been heard of this proposal. The college has not been built nor advertised its courses and is, presumably, defunct. Two other developments are agricultural universities. A professional association, the Agricultural Technologists of Australia, conducted research into establishing a private Agricultural University which indicated that on their own initiative the plan would fail but that success was likely if the ATA teamed with another institution. Although the ATA approached the Bond University as well as public institutions in Queensland, nothing has emerged (Herald, 6.7.1987). Another group, Drasjen Pty Ltd, also plans to establish an agricultural university linked to a technology park in Albury-Wodonga. With an investment of $500 million it is planned to open in 1991 (Australian, 17.12.1988). A Japanese funded technical college, to be known as the Kyoto Institute of Science and Technology is underway in Sydney. By 1990 it is envisaged that the Institute will cater for 2000 students in a $100 million, 35 storey building in the Sydney city centre. Half of both staff and students would be Japanese (Sydney Morning Herald, 25.2.1987). (8)

Perth millionaire, Denis Horgan, along with Peter Tannock (former chairperson of the Schools Commission) are prime figures associated with a proposal for a Roman Catholic University in Perth to be known as the University Notre Dame Australia. The proposal has been given active consideration for the past two years and the Catholic Church has indicated its willingness to support the plan and has a representative on the university planning board. The developers have also established strong links with the University Notre Dame in the USA which is providing advice. A figure of $160 million has been cited as necessary venture capital. The developers claim that with 6500 students the university would generate $65 million per annum in fees alone, with at least $20 million in export income. (9) The WA ALP Government has already indicated that if the project is viable, appropriate legislation will be introduced into Parliament (Australian, 16.11.1988:16).
A private teachers training college, the Christian Heritage College opened in Brisbane in 1986. Its students take four year degree courses accredited with a small American university known as the Christian Heritage College of San Diego. Tuition costs $1,500 per year. Graduates are, in the main, destined to teach in Christian schools. The "Christian collective" behind the college intends to develop it into a university within five to ten years (Australian, 18.6.1986). The new campus would cater for 25,000 students by 1995 with establishment costs in the order of $20 million. The concept has the active support of fundamentalist Christian groups as the means to "push religious based education to the tertiary levels (and) is a step towards having Christians occupying positions of influence and power" (Sydney Morning Herald, 4.11.1987). Criticism has been directed at the fundamentalist character and potential for religious indoctrination in an institution of this kind. For example, according to one critic, there would be,

...a limited commitment to the idea of a university and not of the kind compatible for the most part, with the values of openness to the world and tolerance of the full spectrum of ideas that are typical of university life (Beswick, 1987a:128). (10)

Private initiatives were geographically concentrated initially in Western Australia (WA) and then Queensland. A variety of factors contributed to this phenomenon. Geographically, WA and Queensland are the closest states to South East Asia; airfares are cheaper between Asian capitals and Perth or Brisbane than most other Australian capitals and both climates approximate Asian climes. These are often forgotten factors in attracting cost conscious overseas students to Australia. Another element that propelled WA to the forefront of private initiatives and overseas marketing was the aggressive marketing of WAIT and former Director, Don Watts. WAIT had for many years, large numbers of sponsored and subsidised students on campus and one year before the Commonwealth officially announced its approval for full fee courses to overseas students, WAIT had been conducting a pilot full fee course in Business and Marketing degrees in Singapore (interview, Yacopetti, 1987). Significantly, the then WA Minister for Education, Bob Pearce, encouraged the industry seeing it as a new export income winner for the state and as a means for promoting state links in the region. Likewise, the Queensland
minister gave unequivocal support to export marketing and the creation of Bond University. The first private university proposal, Yanchep International Campus, also originated in WA and it sparked considerable controversy in the media. This proposal never eventuated (for reasons discussed below) but it spawned numerous other proposals.

4.2.1 Semi private development.
The Yanchep International Campus was an example of a semi-private campus. The campus was to be established by a subsidiary of the Japanese MNC, Tokyu which owned 7000 hectares of land, 70 kilometres north of Perth. This area had remained inactive despite advertising campaigns to cast the region as a seaside resort and retirement village. To develop the region as a university city was the next idea to boost local land values.

Murdoch University was first approached to be the partner in the venture, and negotiations reached the feasibility study stage (Murdoch, 1985). However, a university subcommittee investigating philosophical issues associated with the issue, produced a report (Hill et al., 1985) hostile to the concept which, combined with growing student and staff opposition, posed a significant barrier to the development proceeding. The extent of Murdoch campus opposition concerned the company, and with the assistance of the state government - which strongly favoured university development in marginal seats (Graham, 1986) - the corporation secretly engaged in negotiations with WAIT. WAIT came to be seen as a more viable institution for the joint venture as it already had extensive experience as a multi-campus institution and in overseas marketing. The majority of its courses are vocationally oriented (having greater appeal among Asian students) and as a CAE, it had a lower cost structure than a university. WAIT's forthcoming change in status, from a CAE to a university, was also an important factor to Tokyu in strengthening appeal among degree chasing overseas students. (11) The state government's intention to legislate a new university act, was seen by many as a calculated decision to maintain Tokyu's interest in the venture and fuelled the controversy surrounding Yanchep.
The proposal failed to go ahead for a variety of reasons. There were public fears that an isolated campus would create a "ghetto" of predominantly young, male Asian students. Academic opposition was strong, based on either philosophical or pragmatic grounds. Some were opposed to the commodification of education, which the full fee paying policy represented, and feared that this would lead to the introduction of fees for Australians. There were concerns about the costs of the venture in the transportation costs of staff between two campuses, the multiplication of administrative staff and the potential for hidden cross-subsidisation. Industrial issues emerged regarding the proposed higher numbers of contract staff, deterioration of staff-student ratios and doubts about the maintenance of academic standards in conjunction with the profit motive. Additionally, the market strength of the proposal was doubtful. An unknown semi-rural private institution with high fees may not have been able to compete with centrally located, socially prestigious public institutions of high, or simply long standing, academic repute. Most importantly, the establishment of a private campus requires high capital investment and entails high recurrent costs. Tokyu’s motives in the venture were first and foremost to stimulate growth in the region and profit by the second and third order effects of increased land values. The corporation found that the multiplier effects were insufficient to generate an adequate return on capital, especially as the state government was unequivocal in its refusal to subsidise the venture (see Stone, 1987).

In 1987 the Parry Corporation announced that it intended to set up a private university similar to the Yanchep campus in which WAIT was also to be the partner. The Parry Campus was to cater for approximately 3000 Asian and Australian students with degrees awarded by Curtin. Although operating under the policies, procedures and governance of Curtin Council with students required to satisfy normal entry requirements it would, however, develop a separate educational identity. The corporation would not have sought independence from Curtin as a fully private venture since Curtin’s reputation was regarded as essential in the viability of the development by providing academic credibility (interview, Nalder, 1987). Involvement in university development had the advantage of making the Parry Corporation’s land development program in the area more attractive in building a community of 30 000 residents. Additionally,
the university proposal was complementary to the land development's tourism scheme whereby students would occupy tourist accommodation in the off season and at other times it would operate as a seaside resort.

It was estimated that the university development would require eight to ten years before a significant cash flow, of approximately $10 to $15 million, was realised but the proposal ran into immediate difficulty. The Curtin "academic planning working party" encountered a major problem in recruiting suitably qualified staff at current salary levels to teach in either accounting, computing or quantitative studies (18.6.1987). The costs associated with attracting highly qualified staff were not appreciated by the corporation (interview, Yacopetti, 1987). Any question of the Parry Corporation's capacity to provide sufficient funding, however, was obliterated after the October 1987 stock market crash. The land at Mandurah was sold to alleviate Parry Corporation's cash flow problems and the university plan was shelved.

4.2.2. Hybrid ventures.

One other category of private institutional growth are the hybrids. One is the International Centre for Management Studies (ICMS) in Perth. From 1989, the privately owned Edwards Business College will affiliate with Murdoch University to teach a number of Murdoch University degree courses. Murdoch University will charge ICMS a license fee for the enrolment of their students and a charge for academic services. Students are required to reach the same matriculation standards as other Murdoch students, although courses are to be taught by Edwards staff, off campus. Academic safeguards require that exams are set and marked by Murdoch staff, and ICMS staff are to be vetted and approved by Murdoch University. The major difference would be that ICMS staff would not be involved in research and would be paid marketplace rates for their labour. It is envisioned that 1000 students could be enrolled in courses ranging from commerce, Asian studies and English as a second language, for which ICMS would charge tuition fees. However, once enrolled as Murdoch University students, ICMS students would have access to Murdoch University facilities, aside from counselling services which would be the responsibility of ICMS.
The Perth based Australian Institute of Business and Technology (AIBT) opened in 1988. AIBT is currently offering a Bachelor of Business for $8000 p.a. but the Institute plans to expand rapidly into other disciplines such as computing and postgraduate course work. Senior staff of AIBT include former Vice Chancellor of UWA, Bob Street, and Ray Winfield, former head of the School of Accounting at Curtin University from where the degree is awarded.

Funding for the venture comes from Excel Education Pty. Ltd which has the backing of a "group of WA philanthropists and entrepreneurs" (West Australian, 9.5.1987:23). The Director of this company is Bean San Goh, a former Professor of Mathematics at UWA whose company not only initiated AIBT but also the West Australian International College. (13) The directors envisage catering for up to 2000 students by the start of the 1993 academic year once AIBT is established at the new campus currently under construction (Australian, 21.9.1987). The venture has the strong support of the state government for having benefits "in building, tourism and general service industries, and... jobs for teaching staff" (Western Mail, 9-10.5.1987:3). The Education Minister also considered that AIBT will "foster understanding, mutual regard and co-operation between Western Australia and its Asian neighbours" (AIBT, 1988).

Affiliation with Curtin permits AIBT to enrol students in courses leading to a Bachelor of Business from Curtin University. AIBT students are required to meet the same entry conditions and course completion requirements as Australian students at Curtin, as well as certain English language standards. AIBT's "excellence" is assured by its academic association with Curtin, in other words, AIBT "bought" Curtin's name and status (interview, Yacopetti, 1987). The developers did not wish to establish a fully private institution such as the Bond University. Without a public validating institution they foresaw problems of accreditation, and most importantly, a joint venture was considered more cost efficient. Nonetheless, the Institute does have aspirations for university status, hoping in future after establishing a sound reputation, to acquire a university charter or become a "university college" (interview, Winfield, 1987).
Announced in 1986, the Cape Byron International Academy is a joint venture between the Northern Rivers College of Advanced Education (NRCAE) and a private developer, Hixson Holdings Pty Ltd. The enterprise eventuated as a consequence of the difficulties facing the NRCAE with its Principal, Rod Treyvaud, arguing that "government poverty has provided the stimulus to move in this direction..." (Australian, 6.8.1986:16). The College went seeking private funds. Adult and continuing education courses were already a legitimate activity of the college, and it saw an untapped market among mature age groups in continuing and adult education. Overseas students were also recognised as a source of income from short term and English as a second language courses. Similarly, professional "in service" training was seen as a growing market as professionals increasingly sought to maintain credential levels while business conferences and seminar activity was also lucrative. NRCAE administrators were of the opinion that education could be effectively combined with leisure and approached private developers suggesting that education could be profitable if an education institution could be placed in an area of tourist capability. The combination of the two could significantly increase occupancy rates and lower the seasonality of tourist ventures. As the developers themselves noted,

Education was the "blue chip" element in the Academy proposal. Education is the prime attraction... It would have been pure suicide to have a pure tourist resort. This way (having students) gives us the opportunity to bridge that mid season trough (Times on Sunday, 28.2.1988:13).

A reasonable rate of return could be anticipated from accommodation, travel, food and beverage services. Construction costs were estimated at $21 million and the NRCAE estimated annual revenue for the Academy to be $8 million (Australian, 15.4.1987). A construction company, Girvon Corporation Ltd has agreed to fund construction and is negotiating a 50% share in both Hixson and the Academy. Two years down the track, however, it has not been constructed although NRCAE Council has endorsed the lease and educational agreements with the Academy. (15)
NRCAE involvement was subject to strict conditions. NRCAE provides staff and resources for Academy courses. It has the right to approve or reject courses, advise and evaluate on course design, content and delivery, award scholarships made available through the Academy and provide certification for courses undertaken, to the satisfaction of the Academic Board of the NRCAE. The potential benefits to the NRCAE of the arrangement were argued to be institutional expansion and upgrading of facilities. The income generated would relieve present overcrowding in existing facilities and there would be increased provision of student accommodation and new facilities for staff and students at the Academy. Lastly, the Principal argues, the reputation of the College would be enhanced through the provision of adult and continuing education courses (Treyvaud, 1987). Critics do not agree. Opposition groups say the Academy "will be marketed as a standard tourist attraction and that the education label is little more than a device to gain development approval" (Times on Sunday, 28.2.1988). There is also a concern that the number of NRCAE staff required to teach on up to 250 Academy courses could lead to a diversion of the college's expertise to the Academy and to the detriment of NRCAE students. Environmentalists have also opposed construction plans as harmful to the regional ecosystem. (17)

4.2.3 Offshore Marketing.

Twinning is another form of private campus development, albeit overseas. The student spends the first one or two years of his or her degree in the "twin" institution and the remaining years in the Australian college or university from which the degree is being awarded (Smart, 1988). This type of development is included in this chapter because offshore provision is part of the broader trend towards private provision.

Given the high degree of unmet demand for tertiary education in the Asian region the prospect of offshore development has become increasingly attractive. Demand is particularly high in Malaysia where it is expected by 1990 only three in every one hundred school going Malaysian will be able to get into a Malaysian institution of higher education. As most Malaysians cannot afford the cost of overseas education the concept of external or distance education, through
either a private or public Malaysian body, provides an alternative. The value of this industry in Malaysia is valued over $500 million annually (Dhanarajan, 1987:41). Similarly, Hong Kong offers great potential for distance education through public institutions and to a lesser extent, through private bodies (Murphy, 1987). In Malaysia, a privately developed township is being constructed outside Kuala Lumpur. The township includes a college, known as Sunway College, which contracts degree courses from a number of US, UK and Australian institutions. (18) Curtin University has been contracted for the 1987 cohort of enrolments to provide business and computing courses. Fees are approximately A$4500 p.a. whereas Curtin's full fee courses in Australia are in excess of A$8000.

A political obstacle, the Malaysian Ministry of Education and "bumiputera" education policies, prevented Sunway and Curtin from imposing higher fees. (19) The Malaysian Ministry of Education is hostile to fee levels that would exclude indigenous Malays and allow access almost exclusively to the more wealthy Chinese. Political constraints such as these, saw the College attempt to "squeeze" Curtin to lower costs to levels that were financially unviable for Curtin. Consequently, Curtin did not seek to renew contractual relations with Sunway (interview, Yacopetti, 1987). The University of Western Australia (UWA), on the other hand, has contracted with Sunway to provide, in the first instance, degree courses in economics, commerce, science, computing, physics and psychology. As student demand is so high in Malaysia it is considered that the Malaysian authorities will encourage the establishment of private colleges, although "stringently regulated so as to make them conform to national ideologies" (Dhanarajan, 1987:42). These type of ventures have the added attraction to the Malaysian Government of minimising the outflow of foreign currency as Malaysians expend approximately A$1.7 billion per annum on overseas study (Smart, 1988:7).

In a slightly different arrangement, Disted Services of Malaysia provides external degree courses. Disted was established to cater for Chinese students unable to enter Malaysian universities and unable to afford overseas study. The Warnambool Institute of Advanced Education is already involved with Disted, taking eighty students in 1986 in its business and
social science degrees. Similarly, the Open University of British Columbia provides Arts degree courses while Warwick University in the UK provides an MA in Business Administration. Since mid 1986, Murdoch University has provided maths degree courses (intending to expand), which can be undertaken full time or part-time, in Penang or Kuala Lumpur. Murdoch has appointed from among its staff a "Disted co-ordinator" who visits Disted every six months to monitor standards and report back to the Murdoch University steering committee. Murdoch charges A$ 400 per semester course, equivalent to $3 200 p.a. or approximately $10 - 11 000 for a degree.

The attractiveness of distance study is dictated by pricing levels which generally need to be substantially lower than those charged in Australia for these courses target a different market, one where students can not afford to travel overseas or other high expenses. "Twinning" could consequently become a promising and profitable model of overseas study. Not only does it reduce the costs for the student, minimises cultural shock and academic failure often associated with study in the foreign country, but it also creates jobs in both countries (Smart,1988). It also serves wider government objectives of increasing Australia's exports of services.

There are, however, problems associated with twinning which the critics are quick to point out (Nicholls,1987). For example, there are questions about the compatibility of Australian and overseas educational philosophies, styles and theories; educational resources available in the foreign country, such as libraries and scientific equipment, may not be commensurate with those in Australia, while the teaching and academic qualifications of overseas staff could be less than adequate. Unionists also fear that financial pressures to keep fees as low as possible would undermine academic quality limiting the number and duration of overseas visits by monitoring academics. Additionally, they claim that standards are at risk as entry criteria, pass rates and, in particular, English language competency, might be relaxed.

4.2.4. The Fully Private Campuses.
The category of private institutions that have been subject to the most intense debate are the fully private campuses, that is, where the campus and degree courses are both privately funded and provided. Aside from the Bond University and the University Notre Dame, there are proposals to establish the Tasman University and the William E Simon School.

The proposed William E Simon Graduate School of Business Administration is to be based at Camden, 90 minutes drive south from Sydney. William E Simon, a former US Secretary to the Treasury, together with Lady Mary Fairfax, are the key proponents of the venture linked with the US Rochester University and the Erasmus University in the Netherlands. (20) Mary Fairfax is purported to be offering $30 million to Rochester on the condition that they offer two year MBAs, provide "executive development courses", grant Rochester certification and have a rotating faculty of visiting professors. She also wrote to Australian Vice Chancellors requesting their assistance in her efforts lobbying the federal government that they extend 150% R&D tax deductability, then available for the film industry, to cover private investment in chairs and buildings. She wrote,

... the loss of the tax would be so minimal in relation to the advantages of young Australian students and as a means of attracting foreign exchange which as we all know, we desperately need to help our Balance of Payments and deficit (Fairfax, 1988)

She considered that the "powerful professional knowledge" of Australian Vice Chancellors and university professors would "strengthen" her case to the Treasurer. The school is looking for donations of $20 million to go towards construction costs and another $35 million to set up an endowment fund. In the meantime, the Sydney based Centre for Independent Studies intends to assist the project and has plans to carry out research in association with the School (Australian, 8.6.1988:17).

The school intends to be an elite institution hoping to attract the "top ten percent of students from Australian universities..." (Australian, 10.2.1988:13) and also from overseas. Selection will be based upon academic achievement, business experience and "promise". The planners do not see themselves in competition with the public sector and aim to be complementary,
hoping to reverse the Australian "brain drain" and attract high quality academics by paying "American salaries".

Since the Liberal Greiner Government came to office the School has found a benefactor. The NSW Government intends to pass legislation allowing the school to confer degrees. The School will be temporarily housed in the Sydney Harbour National Park, leasing from the state government former naval buildings until the site at Camden is ready. The School is providing $500 000 and the NSW Government is contributing a further $1 000 000 for the refurbishment of the naval buildings. The AVCC has already challenged this initiative seeking an explanation why a "private institution should be given use of public facilities when its business was profit" (Australian, 13.7.1988). (21)

The proposed Tasman University is a competitor to the Simon Graduate School and is associated with a number of prominent economists and business people. (22) The Tasman University will start its operations in 1989 as two financially autonomous schools - the Melbourne School of Economics and the Auckland School of Computing and Information Sciences. (23) These profit making schools will be controlled by the Tasman University, a non profit body incorporated in New Zealand which will have a controlling interest in both schools. "University" is a title that can only be acquired through an act of parliament in Australia, whereas in New Zealand there are not the same legislative barriers. Sources of funding for the projected $30 million capital requirement are tuition fees, private placement of shares and the naming of chairs, buildings and lecture theatres. (24)

Fees for a two year MBA are to be $25 000. This is considered to be competitive in comparison to US courses which range from US$50 000 to $150 000 and also the University of Melbourne and the University of NSW are charging up to $22 000 p.a. for MBA's but none of the courses on offer are deemed by Tasman to be of the quality that it intends to project. It is estimated that 25 - 30% of enrolments will be directly sponsored by companies while the remainder will have the opportunity to take advantage of loan arrangements. The teaching and
examination cycle will be on an intensive eleven month basis in order to reduce the cost to
students in terms of income foregone. The freedom to write specific contracts for staff is
regarded as an effective tool to override public sector competition. The Tasman University
developers are banking their success on the development of a high reputation through;
a) the support of the most prestigious financial and commercial enterprises in Australia,
b) the most eminent academics or business people as adjunct or visiting professors,
c) internationally recognised scholars and public figures on its Council of Trustees
d) recruiting the most able academic staff,
e) a high standard student selection process to attract and ensure highest calibre of applicants.
Obstacles are regarded to be raising equity and finding an appropriate central location.
Additionally, the feasibility study's projections are predicated on the reintroduction of tertiary
fees for its success.

Naturally, the academic unions have been highly critical of both the proposals suggesting that it
is an "explicit strategy for bleeding the public higher education system... to privatise the
profitable components ... while socialising its loss making components" (AFR, 30.11.1987:6).
In response, Michael Porter has stated the "academic unions are trying to downgrade the
(Tasman University) because they don't want to be subject to competition... (whereas) a private
university will be the first step in deregulating the universities" (Australian, 2.12.1987:16).

4.3. The Bond University: Australia's First Private University.

While many of the above private developments have kept a low profile, this cannot be said of
the Bond University. The University, its developers and senior staff have had a high public
profile. The reasons lie in a variety of factors. Most importantly, the Bond University remains
unique as a self contained, fully private university. Unlike the Tasman and Fairfax ventures,
the Bond University has wider breadth in the traditional sense of university. The sheer scale of
the venture and the funds devoted to its establishment have attracted both contempt and
admiration. The University is named after its founder Alan Bond. A self made millionaire,
Alan Bond is one of Australia's richest men and, accordingly, attracts considerable media attention in his enterprises whether it be his dealings in Chile or his media and brewing empire. Naturally, Australia's first fully private university attracted public scrutiny when one of its financial backers happened to be a prominent businessman. Additionally, when announced there were no other university proposals on the drawing board other than the Yanchep proposal. The idea of a private university was, at the time, a novel concept in Australia.

The plan was announced in mid July 1986 by Sir Joh Bjelke Petersen at the Queensland National Party annual conference. The announcement (and that of the new Gold Coast CAE) commenced the Premier's election campaign. Queensland Government support for the Bond University proposal was readily apparent and provoked immediate criticism. The university plan was subject to "withering blasts of doctrinaire outrage directed at them by federal education minister, Susan Ryan, who was supported by massed batteries of academic, college and teacher unionists" (Duncan,1986:61). Senator Ryan stated that if established the Bond University would come to demand public subsidy and "will cost taxpayers dearly in years to come" (1986). The federal Minister for Science, Barry Jones, criticised it for the implausibility of attempting "fast track developments of technology for almost immediate return" (West Australian, 23.7.1986). Teaching and academic unions considered that the Bond University priorities would be to make money and that the profit motive was inconsistent with providing quality higher education. Furthermore, dependence on the corporate sector was seen to have the potential to "compromise the independence of academics working at such an institution" (Age,19.7.1986). Another group of critics, mostly Queensland based, organised the "Defence of Educational Standards" (DOES) coalition to campaign against the Bond University. Membership included the Queensland student associations, the college and university staff associations, the Queensland Teachers Association, the Queensland Association of Independent Teachers as well as a variety of construction and industrial unions. Building unions were requested to put a ban on construction at the university site (QTU,1986) but it was lifted because of the increasingly prevalent view that the university was unstoppable. DOES distributed a glossy anti Bond University leaflet and organised one (poorly attended) public
meeting, but broad based opposition to the development was diffuse. The Bond Corporation treated DOES as a "small vocal minority". Similarly, the state education minister declared that academic criticism was motivated by "self interest" and political ideology.

The AVCC initially voiced reservations about the private university development and the "inappropriate analogies" to ivy league US institutions such as Yale and Harvard. By October 1986, however, the AVCC announced that it did not oppose new private or public universities provided such institutions met certain criteria. The AVCC policy statement stated that the term "university" should be used only where a high level of academic standards are met, preferably under an act of parliament, that detailed demographic, economic and social studies to ascertain the need and viability of the development be undertaken, and that private initiatives guarantee they would not make demands on the public purse and would meet national and international standards in research and breadth of course offerings.

The AVCC Chairman, Professor John Scott, virtually endorsed the Bond University by commenting that the Bond Corporation had "gone through all the right motions" in its preparations. Although there has been strong vocal opposition it is by no means clear that there is broad community antipathy to the Bond University. As time and planning has progressed, opposition has withered and only the core of academic unions maintain a consistent philosophical and pragmatic objection to the university.

4.3.1 Background to Bond Corporation Involvement.

The idea of a university had for some time been promoted on the Gold Coast. A group of local residents had lobbied local, state and federal governments for the construction of a university in the region. The concept of a private university had also been with the Bond Corporation for some time. Alan Bond originally thought of developing a university in 1971 with his Yanchep "concept plan". The land was sold to the Tokyu Corporation which made its unsuccessful bid to develop a university. According to his son, Alan Bond's interest in higher education is motivated partly from his not being educated and his long standing desire to be "philanthropic" in higher education because of his own lack of opportunity (interview,
Nevertheless, for Bond (like Kevin Parry) investing in higher education is like buying status and prestige. Indeed, (as his son hastened to add) there were three other vital reasons for the Bond Corporation's involvement. Firstly, the work of the university pressure group was elemental in bringing the idea to the Bond Corporation's notice. Secondly, and most importantly, the Bond Corporation owned 283 hectares of land on the Gold Coast, just two miles from the beach front. The location's advantages were luck, not planned. As one reporter enthused,

The Gold Coast is a monument to optimism, development and entrepreneurship - just the place for a university run by private enterprise. The climate is marvellous and the population is set to increase..." (Duncan, 1986:61).

Unlike Yanchep, the Gold Coast is an ideal environment to establish a private university.

The Bond Corporation stands to profit by real estate and associated developments around the campus. The university and research park is constructed on 183 hectares while the remaining 103 hectares will be for other purposes. Already the development has caused land values in the area to appreciate over triple their original value. As John Bond stated, "land is crucial to this...It is a medium term venture of twenty years which will pay dividends". Regardless of the potential profits from real estate, the running costs of the university will be extremely high and will not be recouped through tuition fees alone.

...education is not expected to pay for itself for some time. As the university is to be the plum that will attract demand for premium quality, high margin, apron development, the tuition is supposed to be the loss leading base around which to attract demand for vital ancillary services... (Duncan, 1986:63).

These services are student accommodation, cafeterias, bars and restaurants while patent development and consultancy activity in the research park and the rent acquired from the university will be other sources of return. (27)

Another advantage for the viability of the Bond University has been the consistent under-funding of Queensland tertiary education. Between 1971 and 1985 the Queensland population
rose from 14.2% to 16.2% of the Australian population. CTEC, however, allocated Queensland universities in 1985-86 only 14.4% of Commonwealth funds. The shortfall in funding is occurring at a time when more students are completing year 12 in Queensland, per head of population, than any other state (Queensland Department of Education, 1986). The Gold Coast region has the seventh largest city population in Australia, the only city of its size which does not have a university. Unmet demand for tertiary education in the region is, therefore, quite marked. The state government pin pointed the unmet demand for tertiary places as an issue on which the federal government could be attacked whilst showing that the state government was doing something about the situation by supporting private developments.

The third factor in Bond Corporation involvement was the inclusion of Electronic Industrial Enterprises (E.I.E.) of Japan as one of the founding partners. The company has interests in computer related business, finance, property and off-shore investment. E.I.E is presently involved in three private universities in Japan and this expertise was needed for the Bond University. (28) Although E.I.E is an equal contributor to the university, the Bond Corporation has taken the public profile in order that the Bond University be seen as an Australian university, not a foreign one. These three factors coincided to bring the concept to reality. The plan was facilitated by a favourable political climate. As Sir Sydney Schubert (interview, 1987), the Chancellor of Bond University, stated, the trend towards privatisation in higher education "has much to do with a free enterprise federal government in power which accepts the role of the private sector as fundamental to the economy".

The University venture is comprised of three main elements. The Bond University Trust, a public trust will own all the university land, buildings and research park. The public trust will issue shares as way of raising equity. The Burleigh Forest Trust, a private trust, will own all the land surrounding the University zoned for residential development. It will manage all commercial activities on the University land and proceeds will be distributed to the Public Trust and the University Company. The Bond University Company was incorporated in February 1987 and its major function is the establishment, operation, maintenance and promotion of the
University. The company will receive its revenue from the private trust and fees as well as seeking private sector funding through provision of scholarships. Like Tasman University, the Memorandum makes it clear the University Company is a non-profit organisation. A non profit educational institution is eligible for tax exempt status.

4.3.2. The Bond University Act: State Government Patronage.

Unlike the experience of most other private higher education developments, the Queensland Government passed an Act of Parliament entitling the Bond campus the status and use of the term "university" and the power to award degrees. In its own words, the Bill was enacted to legitimise the Bond University, that is, "to give recognition and support to the new Bond University, a fully private venture, by making statutory provision in relation to the university's operations and certain of the powers of the company controlling the university". The legislation was regarded as a means of assisting the university in the recruitment of students and staff and as the means to relieve some of the unmet demand in the state. Indeed, Bond University people "worked closely with the Premiers Department in drafting the Bill" (interview, Costa, 1987). Additionally, the university and, in particular, the research park were viewed as a "catalyst" for industry and business development in high value added product and service areas.

The Bill met immediate criticism from the academic unions. An article in the FAUSA newsletter argued that the Bond University Act differed markedly from any other in Australia in that it is only five pages long without reference to statutes and regulations or the establishment and functions of an academic board (FAUSA News, 6.5.1987). Neither the Act nor the Bond University Company’s memorandum contains reference to any academic requirements for the granting of degrees. From a technical point of view, FAUSA argued, "the university could make awards merely on receipt of a fee from would-be graduates" (Australian, 20.5.87).

4.3.3 The Advisory Council and the Quest for Academic Respectability.

A great deal of credit for the initial development of the university lies with the advisory council
which first met in September 1986 and handled the day to day business of the university, established committees for academic planning, administration and so forth as well as appointing a Vice Chancellor. Membership of the council was controversial as it drew upon senior higher education administrators, the state government as well as business and the professions. (29)

...to get people such as these involved, and with Sir Sydney Schubert, the most senior Queensland state public servant, as the spokesman for the Advisory Council, the private university... boasts a direct line into the heart of the state bureaucracy (Duncan, 1986:60).

Through the Advisory Council, the Bond University tapped into academic expertise that was desperately needed and as Sir Sydney Schubert claimed, the Advisory Council provided the Bond University with "credibility".

The appearance of high profile university and college administrators attracted criticism from some academics who objected to highly placed academics throwing their weight behind the Bond University. Fifty two academics from four major Brisbane education institutions publicly signed a statement of opposition to the Bond University Advisory Council membership, dissociating themselves from these administrators as "their presence on the council (serves) to legitimise a style of tertiary education about which we have profound misgivings" (Australian, 22.9.1986).

4.3.4. Fees, Faculty and Students.

For a basic three year degree, in Business and Law, the Humanities and Social Science, Information and Computing Sciences, fees at the Bond University have been set at $36 000. For more technical courses such as science and engineering, fees will climb higher and some students will be required to pay laboratory fees of $250 each semester. Additionally, students will have to purchase or lease a personal computer to get access to lecture notes and library resources (AFR, 27.4.1988). As "official domestic banker", the Westpac Corporation will be offering special low interest loans to "parents or guardians of Australian students" to help with academic and residential fees (Australian, 2.3.1988). To limit income foregone, the Bond University tri-semester academic year will allow students to finish in two years. Unlike the
other proposed private institutions, the Bond University intends to provide a much wider academic curriculum in the tradition of a liberal education. To that extent, the Bond University has modelled itself on the academic principles embodied by the Australian public institutions. This commitment may have been a political necessity in order to attain academic respectability in the higher education community, that is, "...it was necessary for the Bond University to begin with six faculties in order to be seen as a serious venture" (Australian, 18.5.1988). (30) The more recent proposals have developed on a smaller scale and have benefited from "the credibility that Bond has established" (ibid).

The fees are regarded as low by international standards and it is believed that North American students could be attracted by the university's location, fee structure and semester system. Additionally, the close links with industry are promoted as a source of employment for students. The University aims to enrol 1000 students in 1989 with a large number, approximately 50 - 60%, coming from Queensland and other states. The balance is to be made up of overseas students with approximately 10% coming from Japan. It is envisaged that most students will live on campus which will, in its final phase of development accommodate 10,000 students. Students will share university facilities - restaurants, two hotels, tourist attractions, research park, conference centre, Olympic rowing course and other sports facilities - with tourists, conference delegates and business people.

The Bond University does aspire to be elitist in attracting the "highest quality student from both the domestic and international market" (Ford & Watts:1987:87). Elite is meant in the sense that the university aspires to be the best, it does not imply privileged or exclusive. According to Watts, "any student will be able to attend this university if they prove they have the ability and commitment to the philosophy we are going to cultivate and promote". (AFR, 27.4.1988). Nevertheless, sceptics such as the Vice Chancellor of Melbourne University, Professor Pennington, has said, "when private universities talk about enrolling the cream of society they mean the thick and rich" (Herald, 22.7.1988).
Six foundation professors have already been appointed along with some other academic staff to prepare courses for 1989. Staff has been readily attracted by the high salary packages. The Vice Chancellor, for instance, is reputed to earn $150,000 whereas his public counterparts earn around $87,000. The University has discarded the usual tenure provisions of public institutions and replaced it with a deregulated system setting salaries according to market demand. It is a "reward system in which individual conditions of employment are confidential and related to performance, qualifications and to conditions in relevant sections of professional labour markets..." (Ford & Watts, 1987:86). Remuneration packages in different disciplines and of those with different capacities are likely to differ substantially. Unsurprisingly, this situation has provoked opposition from the unions, particularly as the Bond University staff association has refused to affiliate with FAUSA (31).

The Bond University is unique. The investment alone indicates that it has a more secure prospect of survival than some other ventures. It is a case of privatisation where the financing, provision and control of the university lies solely, at this stage, in the hands of the private developers free from any government regulation. Additionally, it has the funds to devote to providing a quality service. However, the Bond University and other institutions that have emerged in its wake face a difficult path in establishing academic credibility within the Australian academic scene. As Geiger (1987:107) notes,

It is often difficult to define a secure niche in a predominantly public system; and institutions that define themselves by their differentness are seldom appreciated by the mainstream for which they seek to set themselves apart. These institutions face a trade off between seeking legitimacy and academic credibility from the dominant system and fulfilling the private purposes of external sponsors.

Private institutions have a long way to go before they are accepted by the academic establishment.

While it may be difficult to gain respectability within the academic community, private institutions could be argued to be doing a creditable job of assisting the structural adjustment of
the Australian economy. Virtually all are involved in the overseas marketing of education and so they contribute to the improvement of Australia's export profile in high value added services and to the improvement of the balance of payments. Secondly, the education of Australians helps create a skilled workforce. Thirdly, the education of overseas students helps promote "international understanding" and future trade links in the Pacific region. Fourthly, private institutions create jobs in the construction industry, hospitality field and academia. Lastly, private resources provide some relief for a government concerned to rein in public expenditure which does not have the funds to overcome either unmet student demand or the capital needs of the public system. Even so, these beneficial functions are qualified by the constraints that private institutions themselves face.

4.4. The Structural Constraints on Private Higher Education in Australia.

A number of distinct trends are emerging in the establishment of private higher education institutions in Australia. The pattern of development is structured around the constraints of demand and capital. Other factors such as academic and student opposition, public sector competition, government regulation and the attainment of academic legitimacy are further limiting conditions on the establishment of private institutions. Private developers have a major battle ahead in establishing private campuses in Australia. Although a favourable environment of high unmet domestic and international demand appears to exist, private institutions do not have a guaranteed future.

4.4.1 The Complexion of Demand.

Central to all the private campus developments is the attraction of overseas students. In every proposal, at least half (and in some cases, nearly all) of the student population are expected to be from overseas, and predominantly Asian (see Appendix 4.1). Private institutions are, therefore, in competition with public institutions in attracting FFP overseas students. Private sector fees are, in the main, competitive with the public sector, but the newcomers are competing with the long established reputations of public institutions. As a consequence, the
determinants of overseas demand need to be closely assessed. Overseas students are very discriminatory and a variety of "push" and "pull" factors affect the flow and ebb of students to a particular country.

As Altbach (1985) has identified, a variety of factors determine the receptivity towards Australian education services. Many of the critical forces affecting overseas student flow are located at the national level that "push" students overseas. These include the availability of scholarships from the home government, the poor quality of educational or research facilities of home institutions, failure to gain admission to local institutions or discrimination against minorities, as in Malaysia. Overseas study is also often seen as a backdoor method of migration. These factors are not constant but fluctuate as social and political circumstances change. For example, as indigenous education systems are developed in Asian and other countries, there will be less need for overseas study or perhaps, a greater demand for post graduate study. Additionally, foreign exchange and debt problems may prompt overseas governments to stem the outflow of overseas students. The 1979 Iranian revolution, for example, rapidly checked the flow of students from this country which had previously been the largest single source of overseas students.

Complementary to push factors are "pull" factors which draw overseas students to a particular country. In Australia's case the prime attraction has been access for overseas students to subsidized study, geographic proximity to Asia and a relatively low cost of living. Negative influences on Australian competitiveness included the sound reputation and marketing expertise of the US, UK and others in the marketplace and the prestige associated with British and US qualifications. On the other hand, the increase of fees in one country can cause a redirection of students elsewhere while factors such as the abolition of free medical attention, the strict prohibition on employment or the lack of recognition of prior academic qualifications in competitor nations may work to Australia's advantage. Additionally, the current low value of the Australian dollar in comparison to other currencies makes the Australian cost structure slightly more competitive in terms of tuition fees, living and travel expenses. Lastly, overseas
students need to have specific capacities to meld into a university or college. At a minimum, foreign students are required to meet certain academic standards and have a degree of English language proficiency. Many aspirants do not have these basic requirements. The flow and ebb of demand for overseas study is consequently not a simple equation but subject to a plethora of factors which vary from country to country. A sudden drop in demand could induce a crisis in a private institution.

The hybrid institutions are predominantly populated by overseas students from Asian countries. These students are those that either cannot or do not want to get into the overseas student quota for subsidised study or the FFP programs in public institutions. Additionally, the course profile of these institutions is concentrated on vocational programs such as business, economics, computing and science courses reflecting the nature of demand (see Appendix 4.2). These are subject areas where there is strong competition with Australians in the public sector and, frequently, quotas as a barrier to access. The hybrids thus cater more for overflow demand, than providing qualitatively different or better education. Although such institutions might desire academic respectability through research, the expenses of academic overhead are largely irrelevant to the instrumental ends of vocationally oriented students.

Overseas demand is complemented by high, unmet domestic demand. Most private ventures hope to sop up some of the estimated 20,000 Australians that are unable to gain a place in the public system. The willingness of Australians to pay high fees has, as yet, been untested. Unless private institutions market a markedly superior service it is to be wondered how many Australians will be attracted into these institutions. Indeed, Bond University recruitment of Australian students has been disappointing so far (AFR, 22.12.1988). (32) Circumstances may be different at the postgraduate level, particularly in the market for MBA’s.

Another trend among some of the private institutions has been to provide a different kind of service as a device to attract students. The religious based university proposals, for instance, quite clearly intend to cater to a specific constituency in providing the kind of education not
formally available in the secular public institutions. Another group of institutions intend to specialise in course offerings. The Tasman and Fairfax ventures will commence as postgraduate institutions offering MBAs and other qualifications claimed by these institutions to be more in tune with the needs of business. Another form of "difference" are the innovations these institutions intend to implement, for example, the Tasman and Bond Universities will offer a three semester year allowing students to finish earlier. The Bond University intends to be at the cutting edge of technology in pedagogical techniques and will also provide part-time employment for some of its students in the research park. These additional attractions, not necessarily of an educational nature, are designed to lure FFP students. Similarly, institutions such as Bond and Tasman also seek to provide a qualitatively superior form of education through excellence in research and postgraduate training, the attraction of famous professors (adjunct or visiting professors in the case of the Tasman and Fairfax ventures), extensive libraries and modern scientific laboratories to exhibit commitment to high academic standards. It may eventuate that these institutions are also elite in the sense of privileged and exclusive resulting from their high fee structures.

Gaining credibility as a better quality institution in terms of status, graduate output, research and teaching facilities is a difficult and costly task. The Bond University planners and others have the problem of selling something students can currently get elsewhere for free, or subsidised, and are therefore, implicitly obliged to provide something that is "different or better" than the publicly provided service. If they cannot, they provide a choice between similar goods but at different prices.

The private sector is in competition with the subsidised public sector for both foreign and domestic students. Consequently, private institutions are constrained in the level of fees that can be charged. For overseas students, the fees charged cannot be greatly in excess of those charged by public institutions, otherwise the Bond University, AIBT and others will not be able to attract sufficient numbers. Indeed, there is pressure upon the private institutions to undercut the public sector in price as they do not have the long standing academic reputation of
most public institutions in Australia. On the other hand, private institutions are also tugged in the other direction to ensure an adequate return on capital. In the event that these institutions are unable to compete effectively with the public sector they may call upon the state or federal governments for subsidisation of fees.

4.4.2 Capital Requirements and Returns.

Capital costs in the establishment of private campuses are massive. The Bond University has a budget of $250 million, establishment costs for the Yanchep campus were estimated at $135 million, AIBT has indicated its construction costs run into "several millions" and construction costs for the Cape Byron Academy are in the order of $50 million. The Tasman University hopes to limit capital outlay by acquiring an unused inner city school and maintaining a small specialist library. The ability to raise capital is consequently the most significant constraint on private developers seeking to enter the market. Of equal importance is the potential to make a profit or, at least, break even. Most of the hybrids have sought to limit course profiles in the least expensive but high demand disciplines where there is a rapid turn over to ensure profits. As Gelber (1986:20) has noted, they can contain their establishment and initial running costs by confining "first offerings to courses which are not capital or equipment intensive, limits the more expensive research efforts of its staff, examines the telescoping of some courses and can accept a running in period in rented accommodation, preferably within reach of a major established library...".

In a number of projects real estate and tourist development are essential to generating a profit. The Bond, Cape Byron, Yanchep, Parry and Thomas Peel ventures were all predicated on real estate. The campus development raises land values in the accompanying district while land sales and service enterprises are the profit making component compensating for the loss making activities of the campus. The real estate factor has outraged many traditionalists in the public sector who can not tolerate profit making activities in conjunction with education and see it degrading the purpose of education. However, Geiger (1987:109) considered real estate development to have a positive aspect in enhancing educational standards.
Diploma mills do not spawn research parks; nor are they likely to sell condominiums. The greater the stake that the founders have to invest in a university's development, the better its prospects.

Tuition fees cannot reflect the real cost of the campus development for they would be prohibitively high. Indeed, educational activities need to be cross subsidised. An attractively built campus, featuring hotel accommodation, restaurants, cafes, sports facilities and a seaside location, spells tourist potential from which campus developers can also seek returns. The Cape Byron Academy is a novel idea of complementing educational courses with holiday packages. Students not only receive an educational qualification but do so in a commodious environment. The educational component has the advantage of removing the seasonality of tourism, allowing high occupancy rates and, hence, profits. In a different strategy, Tasman university developers intend to generate revenue from consultancy work and computer software development.

The enormous recurrent costs are also a major inhibiting factor on a private institution attempting to equal or better the public service. They must attract from the public sector staff of academic renown (better salaries or conditions), talented students (scholarships) and provide a high quality service (smaller classes, better facilities, status and high academic standards) in order to inculcate a perception that a private university degree is of higher value. Private philanthropy would have to be a major source of capital funding, for to cover costs through prohibitively high fees is, quite obviously, not viable. Attracting qualified staff and students is therefore, another limiting condition on the viability of private institutions. Certainly the Parry and Yanchep campus planners recognised the difficulty of attracting high quality staff to unknown institutions unless there was significant incentive. Market rates would apply in the salary structures of academics in disciplines such as accountancy, computing, economics and so forth which are much higher than those awarded in public higher education.

4.4.3 Academic Integration and Legitimacy.

Common to all proposals is some form of association with public institutions, academics or
with the government. The hybrid and semi-private developments are, by their very nature, linked to a public institution. Equally, the Bond University has sought "credibility" through association with the public institutions of Queensland and state government representation on its advisory council. The high profile membership of this council served to legitimise the Bond University's credentials. Lady Mary Fairfax has not been averse to seeking support from public sector academics. Additionally, the Bond University as well as the Tasman campus, hope to attract from the public sector, prestigious academics to enhance the reputation of their respective course offerings and degrees. Private institutions have not shrunk away from contact with public institutions but have actively cultivated links and benefited through academic integration. At another level, however, these institutions have guarded their autonomy and independence. While they wish to be in the academic mainstream, the private universities highlight their "difference" and distance from government controls.

The formal obstacles to the creation of private institutions appear to be small. There is legal protection of the term "university" but one state government has indicated a willingness to legislate for university status while the Tasman University developers have found a legal loophole overseas. Other "academies" and "institutes" appear content, for the time being, to do without university status while the awards they provide come from a public validating institution. A new private university would, at some time, need to obtain membership in the AVCC (for academic legitimation). For this eventuality, the AVCC has created a new category of membership; associate membership. It has, however, been rebuked by the Bond University administration which desired immediate full membership. (33)

Opposition from the academic community, students and others has also presented a minor hindrance to private developments. The academic outcry surrounding the Yanchep proposal, for example, was a contributing factor to its demise. This is not to suggest that criticism is counterproductive. Indeed, as Treyvaud (1986:98) noted, criticism clarified many issues regarding the Cape Byron Academy and strengthened the NRCAE's hand in negotiations by establishing minimum standards of acceptability. (34)
Opposition has been of two kinds. At one level there has been strong philosophical objection to the commodification of education and the impact it is likely to have on the public sector. This point of view has been voiced most strongly by the academic unions and a number of others (see *inter alia*, Burns, 1986; Barlow, 1986) who have a philosophical commitment to the principle of universally free public higher education. Basically, it is argued that private institutions would be inequitable because access would be determined by capacity to pay and would give impetus to proposals to reintroduce fees. At another level there has been more broad based concern regarding the long term viability of private institutions and the issue of academic standards. These concerns have been voiced by the AVCC and individual academics (SBS,1988). Opposition of this latter kind has become more diffused, particularly in regard to the Bond University which has weathered the storm of criticism and provided public assurances of its commitment to academic standards. In the case of hybrid developments also, partnerships with public institutions has brought forth assurances that academic standards will be closely monitored. Opposition to private universities has been largely ineffectual and is insignificant in relation to the constraints that demand and capital needs impose on private developers.

The conditions for the provision of "more, different or better" higher education in Australia are comparatively weak in light of overseas experience. With a high quality, extensive public sector, Australian private institutions are occupying specific niches of demand. Overflow demand is primarily from overseas. Demand for culturally different education is presumed to exist in the proposals for religious universities. The provision of better education is the objective of the Bond, Tasman and Fairfax ventures. These latter two categories of demand have been untested in the market to date and there is, consequently, no tangible evidence of sufficient demand to sustain a number of institutions providing "different" and/or "better" education. The second structural limitation is meeting capital requirements of institutional development. As overseas experience indicates, high capital costs associated with technological development, rising student demand, rising labour costs and the low rate of return from
education resulted in financial difficulty for private institutions. Public subsidy has been required in the absence of adequate private benefaction. To overcome these capital constraints the majority of Australian proposals have devised ingenious plans for ancillary activities to cross-subsidise losses from the educational enterprise. Real estate development, tourism initiatives and/or profit making consultancy and R&D have been the most common devices to ensure that these ventures break even. ICMS and AIBT, however, seem reliant on tuition to cover their costs. Tokyu, importantly, found that the multiplier effects from real estate and service industry development were insufficient on their own to generate an adequate return on capital outlay, particularly as the WA state government was not prepared to financially assist the venture. The issue of subsidy remains unresolved and is discussed in the next chapter.

The evolution of private higher education has been outlined to demonstrate that there are a plethora of institutional forms. Not all are of the calibre of Bond University and this diversity has implications for public policy. Nonetheless, the failed semi-private proposals, the hybrids, the offshore ventures and the fully private institutions all represent the private provision of higher education. The government monopoly on higher education has been broken. While there is not a strong tradition of private higher education provision in Australia, as there has been at the lower levels of schooling, there would nevertheless appear to be room for a private sector. The private presence, however, will be small. There will be a group of overflow institutions catering primarily for the overseas student market and concentrating on vocational courses. Predominantly of a hybrid structure, these institutions market educational credentials for overseas students. A second group of private universities are in the formative period of development. They aspire to an elite form of education (and the fee levels reflect as much) but will be peripheral to the public sector.
Chapter Five

Public Policy and Private Higher Education.

This chapter will argue that private institutions are both beneficial to government objectives and potentially disadvantageous. Of political value, private institutions could provide a release valve for unmet overseas and Australian demand, reducing pressure on the Government for the increased provision of tertiary places or the establishment of new institutions. Financially, the developers of private institutions are contributing large sums to the education of both Australian and overseas students and contributing to the balance of payments through the export of education services. They are also claiming to be more responsive to student and industry demand for vocational and industry relevant courses. Consequently, private universities and colleges complement Commonwealth priorities regarding the export of education services and human capital formation. There are, however, a number of potential problems for the Hawke Government. Critics have argued that private institutions will ultimately demand public subsidy and will also produce inegalitarian outcomes, conflicting with federal policies to improve the access of disadvantaged groups in society.

The Hawke Government neither supports nor opposes private institutions. The contradictory imperatives embodied by a private sector of higher education and the lack of control that the federal government has over their emergence and development has seen the federal government attempt to disengage itself from the issue and proclaim it to be a matter dealt with by the states. Constitutionally, it has little power to forestall the establishment of these institutions. As one ministerial aide stated, "private tertiary education is here... there is no way the Commonwealth can stop it and there is going to be more of it" (AFR, 30.9.1987). Consequently, a dual sector of higher education provision with a small but viable private sector is emerging. The federal government has adopted a "laissez-faire" attitude towards private higher education, nevertheless, some public policies are indirectly supportive of private growth.

Government policy inevitably influences the evolution of private institutions. For instance, the
reintroduction of tuition fees in the public sector would have a positive impact by making private sector tuition fees more competitive. Alternatively, the deregulation of academic salaries allows public sector institutions to compete on a more equal basis in the recruitment of staff. Current public policy with its stress on human capital formation, the export of FFP courses of study and the encouragement of industry and business liaison is, to an extent, enhanced by private institutional development. Should private institutions be recognised by the government to be carrying out these broad objectives, then a rationale for public assistance would be established, if not the political willingness. While public subsidy is, at this stage, marginal, other federal policies and regulatory structures are indirectly supportive of the private sector.

This chapter will review government policy regarding private institutions under two ALP ministers, Ryan (1983-87) and Dawkins (1987-88). It is followed by a discussion of how the administrators of private institutions seek to influence public and government thinking on the role of private institutions. The third section addresses the issue of public subsidy arguing that while the Hawke Government may be opposed in principle, the momentum for subsidy has been established. The fourth section looks at some of the arguments of the critics who say that private universities will produce inegalitarian outcomes and will promote the residualisation of the public sector. The last section focuses on the regulatory system that is emerging to constrain the activities of private higher education institutions.

5.1 From Ryan to Dawkins: De Facto Support for Dual Sector Provision

The two ministers for education under the Hawke Government have taken very different approaches to private higher education. Senator Ryan was staunchly opposed to the fully private ventures, fearing that they would be a drain on public funds and disrupt balanced educational planning. John Dawkins, by contrast, has been less dismissive, discounting them as of negligible importance to national priorities in education.

From the time she announced the export of education policy (1985a), Senator Susan Ryan
(1983-87), took a strong stand against private universities. Of the Bond University she was especially scathing, stating that it could undermine the maintenance of academic standards across tertiary education, frustrating proper planning and co-ordination. She expressed little faith in the viability of private institutions.

Private institutions are flavour of the month. The proponents...like to point to America, usually Harvard, to persuade us of the desirability of such a development (1987:16). The minister saw this comparison as entirely inappropriate. Harvard is not a private institution in the same sense as Bond; it has a private endowment of over $3 billion dollars, accepts public funds and is supported by generous alumni. Private institutions without the accumulated status and wealth of institutions like Harvard "...would only attract students whose academic standards were not high enough to get them into public institutions" (1986b). Furthermore, she argued, the US has a population of 240 million and can sustain a private sector which, moreover, has had over three centuries of institutional growth. Australia would be "mad to emulate" the US system which, although diverse, is characterised more by low standard "degree mills" than elite institutions.

Ryan saw no need for private institutions in the higher education system when the government more than adequately provided avenues and incentive for private initiative in higher education through the 150% R&D tax deduction and other tax breaks, marketing full fee courses to overseas students and industry-university liaison in research and so forth. The private sector would do better by assisting the public sector if genuinely interested in promoting higher education, such as endowing chairs of computing, accountancy or such like. In Ryan's view, the benefits of private institutions flow primarily to the private sector; that is, to a developer who can accrue profit through land value increases, to senior staff who will be paid higher salaries, and the potential tax benefits to the investor by gearing capital and recurrent costs against other commercial enterprises (1987:17). Nor did she consider that the educational benefits would not be any greater than those found in public institutions but would be, in all likelihood, worse, jeopardising the uniformly high standards of Australian higher education.

What would... prevent some fly-by-night body marketing ill considered courses, and
trading on the high reputation of Australian education. Or, for that matter,...the possibility of foreign governmental control over staff and student selection, and course content, which could well be the basis on which some private institutions were developed (ibid:9).

Ryan persuaded Cabinet not to lend support the establishment of wholly private institutions for the marketing of education overseas because of the "inevitable" tendency of these bodies to call on public funding, "the history of so-called private institutions in Australia, be they schools, teachers' colleges or hospitals, demonstrates this inevitability" (1985b:8).

While Ryan was highly critical of fully private ventures such as the Bond University, her policy regarding hybrid ventures was less clear cut. The Guidelines regarding the enrolment of FFP overseas students allow public institutions to deliver the marketed course in conjunction with an organisation outside the institution. Consistent with the Guidelines, the federal government will approve hybrid proposals subject to appropriate safeguards being followed. There are no formal safeguards other than the Guidelines (see appendix 3.2). However, the Australian Education Council (constituting State and Commonwealth Ministers of Education) in 1986 endorsed, in principle, a draft set of guidelines.(1) These guidelines are not obligatory but a code of conduct reliant on industry self regulation. (2)

Under Ryan, the federal government's position on semi-private institutions remained unstated. On several occasions the WA Minister for Education, Bob Pearce, sought Commonwealth approval for the Yanchep campus but was rebuffed while the matter was "under consideration". Pearce considered that the federal government's failure to recognise either WAIT's or Murdoch's role in the venture contributed to the collapse of the Yanchep campus (West Australian, 25.12.1986). The Government's position on Yanchep was never clearly explained by Ryan and conflicted with the tacit approval that was given to hybrid developments.

Dawkins, in contrast with Ryan, has been relatively silent on the issue of private institutions. This has been reflected in DEET's stance regarding private institutions and in both the Green
and White Papers. The Department has taken a non-interventionist stance and private developments are not monitored. The private developments of which DEET is aware are only those compiled from press reports or information voluntarily offered by private developers. The Green Paper devoted three short paragraphs to the private provision of higher education with only the briefest comment on federal policy. The substance of policy is that the Commonwealth neither "supports nor opposes" private institutions and will not assist them with "direct" financial assistance (Dawkins, 1987b:86). According to the Minister,

... new private institutions are directed largely towards the full-fee paying overseas student market. Commonwealth policy is to encourage the export of education services provided such developments do not disadvantage Australian students or disrupt the orderly planning and operation of existing Government funded institutions (Phillips, 7.7.1988).

The Green Paper exhibited a definite lack of interest in private institutions. To the extent that they enrol Australian students the government is of the view that they will make only a "minor" contribution to national priorities of improving student access. The Green Paper goes one step further in disowning responsibility for these initiatives. Legislative responsibility for the establishment of private institutions lies with the states and the Commonwealth does not have power to influence their development directly.

The White Paper provided only marginally more information than contained in the Green Paper. The three non government teachers colleges and the Marcus Oldham College will continue to attract public funding as was established by previous administrations, but they will not be part of the Unified National System, that is, they will be funded on a contract basis. The Institute of Catholic Education in Victoria, and the Catholic College of Education in NSW, however, were constituted under state legislation and will be regarded, for funding purposes, as part of the public higher education system and, therefore, eligible to join the UNS. The White Paper restated federal policy that new private institutions would not receive direct financial assistance. This includes financial support for key centres of teaching or research, special research centres or student assistance grants - Austudy, Abstudy or Commonwealth Postgraduate Awards. A
further decision was taken in the 1988 Budget to phase out the Commonwealth subsidies to privately run business colleges and to confine eligibility for Austudy and other benefits to publicly funded institutions. Prior to this, there had been an inconsistency in policy where the Commonwealth had been directly supporting a few older private business colleges but not new private institutions. Nevertheless, the majority of private institutions are entitled to participate on a fee-for-service basis in government labour market programs such as the Australian Traineeship System. The White Paper did not address the possibility of state government financial assistance.

As with Ryan, there is some ambiguity in policy under Dawkins regarding semi-private and hybrid institutions. The Commonwealth is interested in these institutions only to the extent that there is no cross-subsidisation to the private sector, that Commonwealth funds are expended on Australian students or subsidised overseas students only, and that academic standards are protected. In effect, the joint venture institutions are treated as no more than an institutional extension of the sale of FFP courses to overseas students.

On the occasions when the current Minister has referred to private universities, it has been positive rather than critical. Indeed, Dawkins saw fault with the public system for giving impetus to the emergence of a private sector.

The Bond University has started partly in response to there being very substantial unmet demand within the existing system and ... a failure on the part of the existing system to respond appropriately to changing demands made of the higher education system (ABC, 1988b).

The problem was not seen to reside in past and present policies that have lead to the funding neglect of higher education or in policies that increased high school retention but not tertiary education places. On another occasion, speaking in a televised debate, Dawkins (ABC, 1988a) said of the Bond University,

There are lots of universities around the world which started up on their own, remain on their own. Bond University has started up on its own and will remain on its
own. The important thing to remember is the Bond University, has attracted... some of the best academics in Australia in their particular field. It is now possible, as a result of the White Paper reforms, for all universities to pay comparable salaries with Bond. The trouble is, a lot of the universities... wont bite the bullet and make the decisions which they can now make as a result of changes we have made, to actually compete on a basis of equal salaries to get the best people.

Aside from the first sentence being essentially incorrect, Dawkins has cast public universities as irresponsible and conservative whereas private universities are innovative. It is a substantially different position to Ryan who spoke of the public system in positive terms.

In the main, the Hawke Government has confined its policy on higher education to the public arena regarding the graduate tax, amalgamations and the UNS. This focus has precluded any discussion of the impact - positive or negative - of the private sector. The federal government has treated the public sector of higher education as the officially legitimate field of policy discussion. Whatever falls outside this ambit is currently irrelevant to government interests. The public and private sectors are treated as entirely separate and unrelated to the extent that the evolution of one is considered to have no effect on the other. This assumption is false as the educational conditions for the emergence of private providers has been underwritten by public policy. Past and present policies such as the export of education, a decade of funding neglect which has reduced capacity to meet student demand and a deregulated funding environment have created the conditions for private institutions to flourish. The introduction of fees and/or the graduate tax also aids the growth of private institutions since "the relative cost of attending private institutions will be reduced by the size of the fee in public higher education" (Burke, 1988:32). Public policies must, axiomatically, influence the viability of private institutions even if such policies are not directed at private institutions.

The rapid emergence of private institutional growth has come at a difficult time. The Department's and the Minister's energy have been concentrated on the reform of public higher education and they have not had the time to devote to this fluid area of policy. Additionally,
the view that private institutions are peripheral, undermines the rationale for a policy supportive or actively opposed. Private institutions are inconsequential to the government's grander plans for the public sector and are, nevertheless, outside DEET's ambit of control.

If the government recognised private institutions and their value to the community in providing extra tertiary places, widening access, creating skilled manpower and R&D, it would be difficult, in the long run, to deny these institutions public subsidy. Yet, support of the Bond University and others would be widely criticised as government patronage. Furthermore, the White Paper and Wran Report generated considerable controversy and sent the higher education system on a blistering pace of change. Sizeable sections of the academic community have been put offside and there is some evidence to suggest that a graduate tax is electorally damaging. (4) To assist private institutions would perhaps push the Hawke Government's credibility too far. Indeed, it would be extremely unlikely for Dawkins and other Cabinet ministers to form a consensus within the ALP regarding policy towards private institutions. In the wake of the announcements of the Yanchep and Bond Campuses, the 1986 ALP National Conference endorsed unequivocally that the ALP would oppose the establishment of private tertiary education campuses and, in principle, oppose the commercialisation of tertiary education (ALP, 1986:85). Federal support for private higher education institutions would be a direct abrogation of the policies and values underlying the Whitlam reforms which, unlike some other policy areas, are still dearly held within some sections of the ALP.

The minister's private secretary, Peter Noonan, agreed that it would be politically unpopular for any party to give financial support to private institutions (interview, 1988). This is not because private institutions would be considered elitist, privileged and the preserve of the well-to-do, but because they are commercial enterprises. Noonan stated that it is not the role of government to bail out an ailing enterprise and that these institutions will have to stand or fall by commercial principles. The federal government has no intention of setting a precedent of assisting a private, or public, institution whose overseas marketing fails.
On the other hand, to discredit private institutions would be out of keeping with the current ALP discourse favouring the export of education services and widening student access. As already discussed, private initiative can expand the resource base upon which higher education draws thus contributing to technological development, the formation of a highly skilled workforce and the development of industry-university interlinkages. Private universities often perform public functions, providing the basis from which to make claims on the public purse (Levy, 1986c:209). It is tempting for governments to subsidise private ventures rather than taking on the burden of establishing new public institutions. Yet, financial or other support potentially invites electoral backlash and internal party conflict by going against party principles. Additionally, the private sector could become a new drain on public funds when the Hawke Government is seeking to disentangle itself from further funding responsibilities in higher education. With such contradictory pulls it is perhaps not surprising that the federal government is seen to be doing nothing. It has occupied the politically safe territory by largely ignoring the presence of private institutions and by stating that legislative responsibility for private institutions is entirely within the domain of state governments. As a consequence, the problems of federalism re-emerge in higher education.

It is most clearly in regard to private institutions that state governments have sought to flex their constitutional rights. The Queensland State Government bestowed a university charter upon the Bond University, the NSW Government has found temporary accommodation for the Fairfax venture and has promised legislation to allow the School to award degrees in its own right while the WA Government has been strongly supportive of private ventures such as AIBT, Notre Dame and Yanchep. State Governments of whatever ilk have been increasingly prepared to intervene into higher education affairs: the Victorian Government has provided additional funding for tertiary places in order to cut unmet demand, the WA Government acted unilaterally in upgrading WAIT to the Curtin University of Technology. As Smart (1987:37) notes, "state governments are feeling grass roots pressure for additional tertiary positions". (5) Elsewhere, Smart has stated that additional funds from state governments is a positive sign for it restores, "... genuine commitment by the States to vital local institutions which they have too
long ignored, while simultaneously reducing the growing threat of misguided centralist onslaught on the nation's tertiary institutions" (Australian, 6.7.1988). State government intervention is consequently, likely to become more noticeable in future as the federal government calls upon the states to provide financial assistance for the public sector and as private institutions call upon state governments for subsidies and/or accreditation of their degrees.

5.2. The "Mission" and Rhetoric of the Private Universities.

The private institutions have developed a variety of themes to distinguish themselves from the public institutions and to develop a higher profile in the broader community. In general, private institutions cast themselves as "pacesetters" on a variety of fronts and that "the future of public institutions could depend very much on their ability and willingness to keep pace with the new private universities and colleges" (Nicholas, 1987). All private developers claim to be promoting stronger relations between Australia and neighbouring Asian countries, to be improving the balance of payments through the export of services and to be performing a public service by meeting demand and filling in gaps left by the public sector. While the hybrid institutions have concentrated on providing "more" education, the private universities attempt to do better, that is, the private university has a distinct institutional mission. To a large degree, the rhetoric conforms to the free market philosophy of the neo-liberals, indeed, there are sometimes close links with the neo-liberal "think tanks" and the private universities. The Vice Chancellor of the Bond University, for instance, has published under the auspices of the AIPP. Similarly, Professor Porter of COPS is one of the initiators and principal defender of the Tasman University while CIS is sponsoring the Fairfax University. Yet, the free market rhetoric is not common to all of the private ventures. For those institutions involved with public institutions, criticism of the public system would appear injudicious since much of the market strength of hybrid or semi-private ventures rests with the academic reputation and status of the public validating institution.
Voicing concern and dissatisfaction with the public sector, however, is an implicit core of the case for the superiority of the private institution. This section looks at the basis of such arguments and how they reflect back onto the public sector. In doing so, this section draws predominantly on the views of Don Watts and Michael Porter, two of the chief *dramatis personae* in support of the private sector.

Essentially, they argue that the public institutions are hobbled in their planning, use of resources, design of buildings and staffing policies by the close suzerainty of CTEC and now DEET. These accusations levelled at the public system have been addressed in prior chapters and will not be repeated suffice to say that the private institutions intend to achieve what central control is allegedly inhibiting; efficiency, initiative, excellence and accountability. As the Tasman University feasibility study claimed, "government failure" is the reason for the emergence of private higher education enterprises now in various stages of preparation. Government failure supposedly originates with labour market rigidity and institutional inability to adapt to changing market demands.

Part of the ethos of the traditional university has been indifference or hostility to market forces and so the traditional structure and rhetoric of universities has compounded the problems of increasing government bureaucratisation and control (Economic Concepts, 1987:1).

Despite the absence of any relevant statistics, the author(s) of the Tasman University feasibility study cite the brain drain from Australia to the USA and elsewhere as evidence of this decline. The problem is an institutional one where the incentive structure of public institutions encourages mediocrity in staff pursuits rather than excellence. "Government failure, therefore, means opportunities for private initiatives..." which are inherently attuned and responsive to the needs of society (*ibid*). To paraphrase Watts, there is uniformity of mediocrity in public higher education and no flexibility in the system whereas a private sector and market forms of allocation will promote diversity and plurality.

Watts invoked human capital theory in mounting his defence for private investment in higher
education. He argued that over the past twenty years under bureaucratic control, education has come to be considered more of a social service rather than a vital resource. Public perception has, therefore, to be changed in order to institute a market, that is, "education must be seen as an investment in human capital" (1987a:6). This investment has both private and public returns, therefore Watts favours partial cost recovery through fees. The presence of fees, he argues, positively influences the performance of these institutions as a "real contractor-customer relationship" ensures that institutions are accountable to a market. Bureaucratic control protects institutions and courses which, in a deregulated market, would fail to attract students. What remains unstated by Watts, however, is that private institutions need the reintroduction of fees in public institutions in order to become more competitive. As the unionists constantly argue,

Nobody in the market system is going to be able to effectively compete with a sector where the effective price of the service that is to be purchased is zero... the planners of private institutions believe, and rightly so, that a deregulated public system would ensure that substantial government grants and a drift in student enrolments are available to them in the medium term (McCulloch, 1988:98).

Fees in the public system enhance the viability of private institutions in Australia.

The Bond University developers claim that they have given private enterprise in Australia "an opportunity to support institutions aimed at producing values more compatible with their own" (AFR, 30.9.1987). There will be scope for the professional and business community "to offer their advice on the development of the university's academic program so graduates will be well equipped to meet the needs of the private sector" (media release, 2.7.1987). Similarly, the Simon Graduate School sees itself offering a "stronger grounding" in courses that are currently lacking in current MBA courses in Australian universities (Australian, 6.7.1988). Likewise, the Tasman feasibility study claimed that the private universities "will be carrying no intellectual baggage, will be state of the art in technology and will be offering more relevant courses and be connected to highly relevant potential employers" (Economic Concepts, 1987). This sense of mission and identification with business values is a distinguishing feature of the fully private institutions.
The message is that those who are prepared to pay may buy something different which will position them differently in the market place for employment in the private sector (Beswick, 1987a:127).

This is not necessarily the case with the hybrid institutions which are primarily overflow institutions capturing unmet overseas demand. What they purvey is an educational credential, not better or different education. The hybrids are targetting a different market and offering a different kind of service than Bond or Tasman which aspire to be elite and excellent. Consequently, hybrids have different implications in their relations with public higher education institutions. Nonetheless, the rhetoric transcends the boundaries between these institutions.

The prospect of enhanced accountability is at the crux of claims that private institutions are needed in Australia. Private universities would be more innovative in teaching priorities unlike public institutions where regulation of enrolment numbers has led "to a proliferation of rather ordinary courses" (Watts, 1987b:22). Firstly, specialised course offerings and selective use of research funding would raise the quality of output and distinguish the private from the public sector. Secondly, private institutions are argued to have a positive impact on accountability through the introduction of deregulated salaries that "recognise the existence of recruitment difficulties in some areas, and which reward performance". The "respectable termination" of staff unable to meet agreed goals is also considered more workable and efficient than the tenure system. Thirdly, students would be more accountable as fees would provide "an environment of reward and punishment to guarantee responsible behaviour". Fee payment and competition for scholarships would provide incentive for students to complete in the minimum time and act as an inhibition to dropping out. Lastly, the accountability of government would improve as the electorate will not tolerate "the equipment obsolescence and inadequate capital provision in our public system if the private alternative is obviously better capitalised" (ibid: 23-5). In short, Watts claims that the efficiency and accountability of the public sector can only be judged when a private alternative exists and competes with the public sector. Two sectors of provision "provide choice and through their competition in a market of complex and often contradictory values enhance the level of accountability of both systems" (ibid: 20). Deficiencies in the
public system become obvious through comparisons and thus the users of the public system have quantifiable evidence with which to maintain pressure on the managers of state systems for improvement. The private universities are not to stand in isolation but to be in a dynamic interaction where the private sector will show "new means and methods that can not be developed in a ponderous regulated system" (interview, Watts, 1987).

Are such claims justified or are they extravagant? The claims cannot be verified as most private institutions have not, as yet, commenced operation. It is something that can only be assessed after a decade or more. According to the Vice Chancellor of University of Queensland, Professor Wilson, however, the public institutions have little to fear from private institutions as the major novelty is the private funding. In his view, "most of (Bond's) other goals have been borrowed from the public system... we should be flattered to have the runs on the boards" (Australian, 27.7.1988). He saw very little difference between the Bond University Research Park and the availability of commercially rentable laboratory space in most public universities. In other words, many of the Bond University's selling points have been features of the public system for years. If so, it would seem that the Bond University is better at marketing itself and using the media than the public sector institutions.

It cannot be assumed at this stage that the public sector is more inefficient until the private institutions have demonstrated otherwise. The onus is on the private institution to prove itself better than public institutions in Australia. At most, private institutions exhibit only the potential to out pace the public sector in terms of quality, efficiency and innovation. The opposite may also prove true. These institutions could develop into second rate institutions, hampered by capital constraints and pricing levels in the kind of service they can offer. In the view of one commentator, the "uplifting influence" of the private sector may not be as sweeping as the enthusiasts claim.

In the first place, it is doubtful whether the bulk of the critics information (about public higher education) is sound - just note the many thousands of additional students enrolled in recent years without additional funding and consider the
continuing very high reputation of Australian graduates abroad. In the second place it is doubtful if one or even two "Bond" universities will contribute a big enough mass to undo the practices and paraphernalia of both powerful unionism and centuries of tradition. After all, Buckingham was no swallow that made a summer (Walker, 1987:16).

Nonetheless, the rhetoric of the private university advocates does influence public perceptions. Private institutions are promoted as "better", particularly through reference to the ivy league universities of the US, despite, as argued earlier, such comparisons being fallacious. Private developers project an image as benefactors to society by providing a service that government has been unable to provide. As a consequence, the private university is seen as a respectable and socially responsible institution. Yet, not surprisingly, the rhetoric has focussed only on the advantages and none of the possible detrimental outcomes of private education. Until these institutions are established, claims of superiority cannot be empirically judged or disputed. It cannot simply be assumed that private institutions would be a goad to improve the public sector. Indeed, public institutions will, in most part, be the measure by which the private institutions will be judged.

While the rhetoric may, as yet, be of little substance, it is powerful and persuasive. A recent editorial in the Australian (8.11.1988), for example, picked it up wholesale.

Australian universities have hitherto been a government monopoly and have featured many of the worst elements of monopoly, namely, inefficiency, unaccountability and a conspicuous lack of quality control. The Bond project...will have to survive and prosper on its own merits, subject to the rigorous discipline of the market... Australia could develop a very high quality private university sector which would challenge and stimulate the existing public institutions...

Dispensed through the media as common wisdom, such views may be a decisive influence on how Bond is perceived and where benefactors and business direct their support.

5.3. State Aid Revisited? The Issue of Public Subsidy.
A number of Australian analysts (Gelber, 1985; Walker, 1987; FAUSA-FCA, 1988; Macklin, 1987; Botsman, 1988) have observed that private higher education cannot be self-sustaining and will inevitably come to rely on extensive state financial support. The academic unions, however, have gone one step further in arguing that there would also be "an increasing tendency for this public spending to be a substitute for rather than a supplement to private spending" (FAUSA-FCA:66). There are two reasons why unionists argue that private higher education should be opposed. Firstly, it would involve an increase in the social cost of education and secondly, it produces inegalitarian outcomes. In making such claims, they base their arguments from "...the lessons of privatisation in schooling (which) indicate that in the longer term, taxpayer support would be sought" (George, 1988:9).

In the 1960s, state aid to the school sector became a politically explosive issue. Parents, the Catholic educational hierarchy and independent school associations successfully argued that no student should be denied a basic per capita grant by virtue of parental wealth. Both the Whitlam and Hawke Governments have attempted to deny funding assistance to the most wealthy private schools. On each occasion the non government school sector swarmed to the defence of its wealthier members. With the full brunt of media hype and votes to lose, the resolve of both the Hawke and Whitlam Government was weakened. As a consequence of the 1983-84 conflict, Ryan settled on a generous funding policy in order to defuse the state aid debate by making money available to virtually all private schools (Smart et al, 1986; Smart, 1987c).

State aid had dramatic results. It lowered the private cost of private education and lead to the expansion of private schooling. The legacy of the Karmel settlement was an open ended level of public funding for private schools, setting in tandem an ever spiralling demand for Commonwealth funds. The Hawke Government reforms put restraints on new private school development, but the expansion of existing private schools remained unregulated. The private price to parents of placing their children in the private school sector in 1985 is now less than
one-third of its level in the late 1960s (George, 1986:7). Indeed, twenty five years ago, private and church schools did not receive any government funds, yet in 1988, over $1 billion has been allocated for private schools (ibid: 6). Additionally, the Commonwealth provides tax rebates for self education and the educational expenses of dependents ($15 million in 1984-85), tax deductions for gifts to school building funds and to public funds or organisations associated with the provision of religious instruction in government schools ($28 million) and other gifts ($69 million). Some scholarships are also tax exempt while a range of state and local tax and rate exemptions apply to religious and charitable institutions, for example, the waiving of pay roll tax (Marginson, 1987a).

The additional fee revenue collected by private schools allowed many to provide a higher quality service and has encouraged an enrolment drift away from the public sector. The constantly resurfacing "standards debate" has further generated increased demand for private education whereby critics of public education have depicted the public system abandoning effective learning and engaged in moral licence whereas private schools are more disciplined and of higher academic calibre. Once private schooling is associated with higher standards and better life chances, then good parenting becomes linked with private schooling. (6)

The absolute decline of Commonwealth funds available for state education has lead to a deterioration in student-teacher ratios, cutbacks in specialised programs and a deterioration of capital provision (see Marginson, 1987a). The outcome, according to the defenders of the public school system, has been the reproduction of inequality in schooling through the existence of the private sector and residualisation of the state sector. Residualisation is both an economic and social process where the private market is assumed to be the conventional means for providing education while public education exists for those unable to pay - the residuum (Flynn, 1988:299). According to George (1988:7), President of the Australian Teachers Federation, the transfer of effort from the public to the private sector involves, "...declining status for public provision in the community, a perception, however incorrect, that what is bought at a price is inevitably better, and an increasing inequality of access to higher education
and employment experienced by students...”.

One critic of federal government policy towards private higher education, Dr Kenway, draws upon her knowledge of the evolution of the Australian private school system to argue that the Bond University and others will come to demand, and receive, public support.

In the White Paper the statement is made that the federal government will not support private universities in any way with the exception of funding individual academic researchers. I suggest this is a profoundly ahistorical way of thinking and if Mr Dawkins were to be sensitive to the way in which private schools began being funded, it was on a short-term basis, and then gradually, as they got into financial difficulties, more and more state funding went into these schools. They then competed with the state system, they then set up a negative reference group for themselves. I suggest, in supporting research for individuals in private universities, like the Bond University, you are already giving them a criteria by which they can make status comparisons with the state university system, and you have begun taking us down a path for establishing a very significant private university system in competition with the state (ABC, 1988a).

The capital outlay involved in a private school is much smaller than that required for a private university. Private universities are more likely to run into financial difficulties as they are less able to recoup costs through fees. Similarly, the Australian Democrats argue that "pressures on the state to subsidise private institutions arises because higher education is an incredibly expensive operation" (Macklin, 1987:2). From a different perspective, a consultant to ICMS has also argued that subsidy is inevitable, resulting not from market failure in the private sector, but the failure of the public system to meet demand (interview, Dunn, 1988). Subsidy to the private sector provides a cheaper alternative for the federal government. Opponents of private higher education see the emergence of the private sector in zero-sum terms whereby growth in the private sector hastens the deterioration of the public sector. Supporters of private institutions, however, consider that private growth increases the absolute level of investment in higher education and that it is a positive sum game.
Senator Ryan often warned that private institutions would approach government for taxpayer funds and that "Australian taxpayers would then be dishing out millions more each year to prop up dubious private institutions, while growth and expansion of public institutions would be frozen" (30.7.1987 - media release). The federal and state governments have funds and may be approached for assistance of one form or another. The Bond University, however, has denied any intention of seeking public subsidy. One Bond University professors, Professor Andrews, has said that, "...Bond University does not want (federal financial) assistance because it would be directly counter to the philosophy on which the university has been set up" (ABC,1988a). Likewise, other private universities intend to be financially autonomous.

Nevertheless, the Vice Chancellor of Bond University, Professor Watts considered that Bond University students should be eligible for Austudy and other student assistance schemes (interview, 1987). A precedent was seen in eligibility of students at Avondale, some business colleges (for example, Edwards Business College) and Catholic teachers colleges, at that time, for Austudy payments. He argued that the award is made to the individual student, regardless of the institution they attend, and it is, therefore, not a subsidy to the private institution. Denying Bond students, or other private students, eligibility for Austudy would be discriminating against a group of Australian students purely because they attended a private institution. It would constitute action to penalise the private sector by denying individual students rights enjoyed elsewhere. This line of subsidy to the private sector has since been closed off by the White Paper which stated the student assistance will be available "only to students in Commonwealth-funded courses" (1988:39). Watts employed the same argument in relation to research grants. Academics in private institutions, he said, should have the same right as every other individual academic to apply for and receive research funds from the government. Award should be made on the individual merits of the proposal, not whether it originated from a private or public institution. The drafters of the White Paper concurred with this point of view and, accordingly, staff at private institutions will remain eligible to apply for research grants through the ARC (ibid). Nevertheless, Professor Watts has a strong argument
that private providers are, in fact, subsidising a public responsibility. If it is agreed there are social returns from investment in education, then there is some justification for public subsidy.

In 1988, the Bond University applied for an "institutional links" grant from the Australia-China Educational Cooperation Program. DEET officials decided that the Bond University proposal should be assessed on its merit and not whether it came from a private or a public institution. The proposal was rejected, as it was not competitive with other proposals. The point, however, is that the Bond University was considered. Had it been successful, as it may be in future submissions, then a grant of this nature would represent government support.

While Professor Watts did not consider such grants to be a subsidy, others (interviews, Jones, 1988 & Dunn, 1988; FAUSA-FCA, 1988) argue that these grants represent the "tip of the iceberg". Additionally, the award of government research grants to academics at private institutions has the effect of indirectly assisting the private institution by conferring a degree of prestige. It legitimises the role of the private provider in a dual system. The award of research funds also relieves, albeit marginally, the Bond University of some research costs. Furthermore, as Professor Walker, principal of the Australian Administrative Staff College, remarked, "...the Staff College is tax exempt and is thus...a recipient of government support" (1987:13). From the moment that the government provides assistance or indirect support, the survival of the private institution is aided.

As part of the Bond University's long range thinking, co-operative arrangements with Queensland public institutions have been mooted. For example, it has been suggested to Griffith University and the Gold Coast CAE that there be a sharing of libraries or other equipment and the provision of joint programmes. (7) Bond has proposed opportunities for post graduate study of Gold Coast CAE graduates considering it a potential feeder institution. Additionally, Bond University suggested that its own postgraduates could provide tutoring or part-time teaching at the Gold Coast CAE and vice versa (interview, Jones, 1988). While not a direct form of subsidy, there is potential for hidden cross-subsidisation. Although only ideas
to date, they nevertheless represent an attempt by the Bond University to tap into the public system.

Another avenue of possible federal government support is for private institutions to make tenders to the Commonwealth to provide a specified number of tertiary positions in a course of "economic relevance". It could constitute a form of contracting out where government funds were used for private production. A quota of Australian students could attend the Bond University or elsewhere but have their degree paid for by the Commonwealth. Should this eventuate, it would constitute a public subsidy but of a limited nature, not across the board and undifferentiated. Given Dawkin's current stance, however, and the political sensitivity of the matter, it is highly unlikely that the Commonwealth would contract out the provision of higher education. Nonetheless, with the UNS, the mechanisms for this are in place.

The funding environment heralded by the White Paper organised institutions into two groups; those inside the UNS and those outside of it. Public institutions outside of the UNS are to be funded on a contract basis for teaching only. These conditions could be easily extended to courses taught at a private institution, should a government so desire. In which case, the courses would become Commonwealth funded courses and students would be eligible for student assistance. Similarly, AIDAB might wish to sponsor overseas students at a private institution. Such a scenario is speculative but possible. As the academic unions (FAUSA-FCA, 1988:69) have warned, "... a deregulated public system will ensure that substantial government grants and student enrolments are available to the private system". Dawkins' private secretary agreed that the deregulatory environment of the White Paper made it easier for private initiatives by creating a more competitive rather than monopolistic environment, but denied that conditions existed for the contracting out of education (interview, Noonan, 1988).

It is not only private institutions that might pressure federal or state governments for public funds on private campuses. The WAIT feasibility study for Yanchep, for example, made an oblique reference to expending Commonwealth capital funds at Yanchep. It was justified on
the grounds that Australian students would have been enrolled at Yanchep and thus "... an entitlement for Commonwealth Government funding will be generated ...(and) there will be natural justification for expending Commonwealth capital funding at that site" (WAIT,1986:45). Support was considered legitimate where Australian students were present.

The federal government, however, has been consistent in stating that it will not allow subsidy or cross-subsidy. In response to critics who argue that federal policy is leading to the public subsidy of private higher education along a path similar to the private school system, Dawkins has argued that federal policy is in some aspects disadvantageous to the growth of private institutions. The critics,

... ignore the fact that the expansion of the public system, the freeing up of public institutions in areas such as salary flexibility and post graduate fee courses, and other measures aimed at increasing institution's responsiveness will reduce the demand for private institutions. In other words, demand for private higher education will only exist if the public system is unable to meet community needs.

The role of private institutions in meeting local undergraduate demand will be limited as the Commonwealth underwrites expansion in higher education over the next three years and ensures that the important reforms announced in the White Paper are implemented (Dawkins,1988c:6-7).

The Hawke Government has returned higher education spending to over 1% of GDP and promised to create an extra 40 000 places over the next three years to alleviate unmet Australian demand. Despite such assurances, at least one Vice Chancellor, Professor Yerbury, is worried, stating that if private universities "...start to compete for very much over-stretched public funding ...then we will come out fighting" (SBS,1988).

Public support for private institutions has been limited to-date. The federal government is not supportive but can do little to prevent their emergence. Some state governments have been very helpful in one form or another. The immediate past ministers of education in both WA and Queensland have lavished praises on Bond and AIBT respectively, in contributing to the
development of the state but have baulked at providing financial assistance. While federal financial support is indirect and marginal, it may become more substantial if private institutions run into financial difficulty. Although it may be intrinsically sensible to allow academics in private universities eligibility for ARC funds, policies of this nature, over a period of time, cumulatively undermine the policy of no subsidy to private higher education. As with private schooling, the government may incrementally acquire considerable responsibility for the infrastructural costs of two sectors of higher education.

In such an eventuality, the academic unions consider that a private sector would "create wasteful and unnecessary competition and drain enrolments and expertise from the public sector" (FAUSA-FCA, 1988:66). Subsidy could also reduce the absolute level of funds available to public universities and colleges. From the union viewpoint, residualisation occurs because subsidy reduces the private cost of "private" education and allows the private institution to devote more funds to better facilities and staff. For example, Botsman (1988) argues that the private sector would actively seek to run down public sector courses by "jockeying" for staff and "overtaking" existing facilities. Should private institutions receive public funds, they would be a competitor to the public sector. The degree of competition, however, would vary between different markets. For overseas students there is likely to be strong competition between the private and public sectors as private sector tuition fees are very competitive in relation to public sector FFP courses. There is also an attractive monetary incentive to academics to switch from public employment to the private sector. Arguments from academic unions that the private sector would "bleed the the public system dry" are regarded as exaggerated, reflecting a fear that private institutions will expose weaknesses in the public system. As Blainey says,

The weakness of the talent draining argument is immediately visible when we recall all the new universities created in Australia between 1960 and 1975. Every new university enticed talent away from older universities... at a much faster pace than the new private universities will drain it. The gnawing fear of academic trade unionists is really that in many university departments there is a wide gulf in the
academic competence of various members of staff, but narrower differences in the actual salaries. Private universities will challenge that gulf (Australian, 5-6.11.1988). Indeed, without the deregulation of academic salaries brought about by the White Paper, public institutions would not have been in as strong a position as an institution like Bond University to provide incentive for staff to remain. Increased flexibility in salary packages has provided the scope for public institutions to prevent the private sector from "pinching" top staff (interview, Hambly, 1988). In regard to competition for Australian students the private sector is less secure. Not many families would be able to afford the high tuition costs for an undergraduate degree at Bond, AIBT and ICMS or elsewhere since a proportion of the 20 000 of unmet demand would come from lower socio-economic groupings.

The academic unions base their case on experience with private schools. Private institutions of higher education however, are populated primarily by overseas students and are not as extensive as the private school system. The initiative for private school subsidies emanated from the political pressure that parents and teachers brought to bear. The private higher education system in Australia will be peripheral and is unlikely to have as much political clout. Australian Governments may find it easier to hold out against the demands for subsidy in contrast to experience in Chile, Japan and the USA where mass private sectors existed. Furthermore, the federal government has shown no intention, at this stage, of providing financial assistance. It is more intent on cutting public expenditure and avoiding any political battles that could be associated with subsidy.

Additionally, at this stage private institutions are more interested in establishing a foothold in the education market rather than in gaining government support. Once established, with capital sunk in infrastructure and students enrolled, a stronger case can be made for public assistance. Somewhat hypothetically, the basis of such claims could be, as Levy (1986c) argues, that private institutions perform public functions. On the other hand, an institution like the Bond University, might be able to survive indefinitely on private funds cross subsidised from real estate development, on campus service industries, the research park, private donations and
tuition fees. The plurality of funding sources may be Bond University's major strength. A
tuition dependent hybrid, however, has less flexibility and is more vulnerable to fluctuations in
demand.

5.4. Dual Sector Provision: The Implications for Government Priorities in
Higher Education.

Three main concerns of the Hawke Government have been to promote equal opportunity and
wider access in higher education, to maintain balanced national planning and to promote greater
interaction with and recognition of industry needs. Some complaints against private higher
education are that private institutions would disrupt these priorities. In their response to the
Green Paper, for example, the two academic unions argued that major inequities in student
composition arise between private and public sectors of education. The paper noted that US
students from low socio-economic backgrounds were poorly represented in the prestigious
private universities (10.6% of total enrolments) while students from wealthy backgrounds were
disproportionately represented (41% of enrolments) (FAUSA-FCA,1988:68). They concluded
that the private sector in Australia would replicate this trend as fees would impose a significant
economic disincentive against low income earners.

There are likely to be significant differences in the participation of various groups between the
private and public sectors in Australia. Bond University fees of approximately $12 000 p.a.
are over half the national average yearly income of $22 000 estimated by the Wran Committee
(1988). According to Marginson (1987c:30) less than one taxpayer in three receives average
weekly earnings and only 13% of women earned to this level. Whilst, from the free market
perspective these constraints are supposedly overcome by taking out loans repayable from their
augmented future earnings, Marginson argues "access to credit is governed by prior social
characteristics: in the case of students from poorer backgrounds, loans are a greater risk for
both finance companies and for the students and their families" (ibid). The high fee structures
impose a major barrier to the access of disadvantaged groups such as women, aborigines and
ethnic minorities. Women, in particular, could be affected by private institutional development in a number of ways. In public institutions the proportion of women students at undergraduate level has reached halfway, but women represent only 36% of overseas student enrolments with even fewer at post graduate levels (Goldring et al, 1984:254). With increased tuition fees in both the private and public sectors, there is likely to be fewer enrolments of women because of the "cultural preference for investment in men's education" among overseas student families (Burns,1986:157). Additionally, the areas of national importance targetted by the federal government, and the vocational disciplines focussed upon by private institutions - economics, business, computing, law, technology related courses - are already dominated by both male staff and students. There is a real possibility that the private institutions catering primarily to the overseas student market, could create campuses of predominantly male Asian students. In short, fee paying private higher education has the potential to distort the pattern of participation on the basis of class, gender and race.

Ken Davidson (1988:49-50) argues further that a private sector might be encouraged by wealthier groups in society who have a better understanding of the positional advantage that education confers.

The rich understand clearly the credential function of education... Central to that understanding is the intuitive knowledge that it is the individual's education relative to that of everybody else... that will finally determine his or her place in the social and economic hierarchy. This means that educational advantage can be obtained by diminishing the educational opportunities of others as well as by increasing the educational resources available to oneself. This has already be done at school level by the residualisation of public schools as state aid has created two discrete systems, one called public, the other called private, yet both publicly funded.

The Bond University commissioned independent market research on the feasibility of a private university in the Gold Coast region. The research indicated that the Bond University could easily fill the campus with Australians. The Bond University, as a private institution, indicated to many that it was of better quality. Being private had intrinsic market value (8).
Just how exclusive the Bond University and others will be in comparison to the leading state universities is a matter of speculation. With the introduction of user-pays systems in the public sphere, the difference may not be so great in future. The sensitivity of the issue, however, has compelled private developers not to appear too elitist. Private institutions have sought to dispel this image through the award of scholarships, grants and cadetships. Making political capital out of their scholarship scheme, one Bond University foundation professor stated, "next year when the graduate tax comes in Bond University will be the only university in Australia that will make places available to academically bright but financially disadvantaged students free of charge" (ABC, 1988a).

If the Commonwealth wishes to successfully pursue its social equity goals through higher education, then the private sector must be in the scheme of things (see Botsman, 1988:15). Entry policies based on capacity to pay, have the potential to undermine government attempts to make the higher education system, as a whole, more equitable. This could possibly be remedied by making private Australian students eligible for student assistance, although it raises the issue of subsidy again. The outcomes of private sector activity are not confined solely to that sector but percolate through the entire higher education system.

Another fear expressed by the academic unions is that the emergence of private institutions would disrupt national planning and introduce an unnecessary, as opposed to a functional, element of competition. For example, the Yanchep campus was to be situated in the far northern suburbs of Perth, an area where the Western Australian CAE had just established a new campus. The two campuses would have been in competition not only for overseas students but also Australian students. Similarly, the Bond University is situated in the catchment area of the Gold Coast CAE. Should either of these institutions undermine the student intake of the other, the viability of one institution could be in doubt. In other words, the emergence of private institutions could lead to an inefficient allocation of resources by sinking infrastructural costs in two institutions where one institution would have been
sufficient. The Bond and Yanchep enterprises, however, have been driven by interests other than balanced education provision.

5.5. Regulation and Academic Standards: Issues for the 1990s.

While the federal government has avoided extensive public subsidisation of the private sector it has been willing to establish a regulatory structure that guarantees the reputation and standards of public and private institutions alike. This enables the federal government to control the system in ways other than through funding control. For example, through FIRB, the Commonwealth has some power to prevent the emergence of some private institutions. Foreign companies, such as those involved with the Bond University and Kyoto Institute, wishing to establish an educational institution need first to gain authorisation from the FIRB. The federal government has not, as yet, used this power against foreign developers. It did, however, stipulate that investment in the Bond University was on the understanding that no requests will be made for Commonwealth support.

The Commonwealth's regulatory powers are greatest in relation to FFP courses of study; an area in which it has indicated a willingness to use its powers. All institutions offering FFP courses must be registered with the OSO which keeps a database of courses and their fee levels. The OSO advises the Department of Immigration whether to issue student visas or not. The Commonwealth consequently has the power to deny visas to students enrolled in particular institutions, or to deregister these institutions.

State governments are also becoming increasingly involved in this aspect of regulating higher education. Any university or college that is constituted under state government regulation is automatically entitled to be registered with the OSO. Hybrid campuses such as AIBT and ICMS, while associated with Curtin and Murdoch respectively, are entitled for OSO registration provided that their facilities are adequate. In the absences of state legislation, a fully private higher education institution such as Tasman University or the William Simon School, require
some other form of state government authority to approve their activities. State governments are now responsible for approving exporting institutions, whether it be an English language institution, a private higher education college or some other training facility. Such institutions must provide detailed applications outlining professional qualifications of staff, staff-student ratios, physical facilities, course content, conformity to local government regulations and so on.

A state government advises the OSO to register an institution. The state continues to play a monitoring role, ensuring that no unsavoury practices emerge. Accordingly, it has the power to advise the OSO that an institution be monitored, suspended (that is, visa issue be withheld) or deregistered. Additionally, the states handle grievance procedures and award remuneration. State governments consequently play a crucial role in the fortunes of private institutions. In NSW, the William Simon School has found itself in a favourable political environment where the Liberal Government is prepared to be of assistance. In Victoria, how the Tasman University will be received by the ALP Cain Government, at the time of writing, is unknown. Without state authorisation the OSO will not issue advice for visas and a state government could possibly place numerous bureaucratic hurdles in the path of registration.

It is over the issue of academic and marketing standards that both levels of government are keen to exert some control over the affairs of private institutions (interview, Buckingham, 1988). In 1988, there were approximately 28 000 FFP overseas students in Australia (in English language, secretarial, higher education, TAFE, short-term and other courses) of which only a couple of hundred or so have had serious complaints about the service they were marketed. According to the manager of the OSO, the massive proliferation of private institutions at the lower end of the education market, that is, the business and matriculation colleges, lead to the "rotten apple" phenomenon (ibid). Four institutions have been deregistered and six others are being closely monitored by the OSO. AIBT has been one higher education institution of concern. Curtin has been lax in ensuring that standards were maintained. The monitoring relationship was too loose (ibid).
Assessment of private higher education institutions is made by state authorities in accordance with the recently established AEC code on matters of marketing, standards and grievance procedures for FFP courses of study. (9) The system is resource expensive and interventionist but as the Manager of the Education Section of Austrade pointed out, "in the long run it is worthwhile to protect the academic reputation of Australian institutions" (interview, Critchley, 1988). If there were institutional failures, the costs would fall not only on the developers, staff, students and graduates but the general reputation of all Australian education institutions would be damaged. For the federal government, it was preferable to institute some regulation to maintain the positive image of Australian education services. Regulation of this kind performs a licensing function (Drake & Nieuwenhuysen, 1988:111). The assumption behind this type of regulation is that the buyers of education are entitled to the reassurance that vendors are qualified and competent to transmit knowledge at appropriate international standards. The vendors receive a degree of protection from competitors in return for the maintenance of standards. Nevertheless, the costs of this vigilance have to reside largely with the providers and may have some upward pressure on fee levels. In return for these costs there would be some degree of protection from substandard or unscrupulous providers who could undermine the reputation of other higher education providers.

Regulation of this nature is supportive of those private institutions that become established. As Beswick (1987a:126) notes, regulated private institutions are not "being given a fair test in the free market". The market driven institutions such as AIBT, which is as yet the only hybrid to be registered with the OSO, are in effect apportioned a share of the market. Similarly, state government university charters are of market value. A university charter is a superior form of accreditation as it bestows a degree of respectability and status upon a private institution as distinct from other private "institutes" and "schools".

Should private institutions come to receive public subsidy of some form or another, the potential for government monitoring or regulation emerges. State and Commonwealth Ministers of Education would, quite naturally, be keen to know how public monies are being
spent and to ensure public accountability. The outcome of subsidy could thus be the gradual imposition of government controls on private institutions. Private institutions and their administrators, although largely peripheral to the public system, are likely to be encouraged or drawn under the regulatory influence of government whether it be to oversee FFP marketing or to monitor Commonwealth funded research.

5.6. Private Growth and Public Goals.

Private higher education institutions represent the private provision and financing of higher education. However, public subsidy would socialise some of the costs while provision remained essentially private in character. The Hawke Government, while it has promoted the privatisation of funding sources in the public sphere, has not advocated or encouraged the emergence of private institutions. Rather it has been state governments that have promoted private campus development to stimulate state development and aid educational expansion.

Some of the activities and objectives of the private sector are beneficial to the federal government. Firstly, private institutions provide more tertiary places to meet high unmet student demand. Secondly, private investors have contributed millions of dollars to private education and research, increasing the total resource pool for higher education. These two functions help allay, if minimally, the political pressure of students, parents and academics to expand the public system. Additionally, private institutions have a potential to complement a variety of other economic and political goals of federal government. Briefly, they could contribute to developing trade links and cultivating international understanding. The export of education services helps improve the balance of payments. Furthermore, the establishment of private universities and colleges creates a range of new jobs throughout society. Lastly, some of these institutions claim to be efficient, innovative and accountable to economic needs in the type of courses they offer and their close links with industry and business. These outcomes slot in ideally with the federal government's overriding priority to hasten the structural adjustment of the Australian economy.
At the same time, the private sector, if comparative analysis is any guide, is prone to market failure without public subsidy or generous private support. The argument that market failure and subsidy will eventuate is based on three considerations. Firstly, overseas experience shows that private higher education has operated independently of state assistance only in circumstances of exceptionally high unmet demand. Even the elite US institutions, which have maximised a multiplicity of private funding sources, receive substantial state and federal resources. There is no self-evident reason to suggest that Australian private institutions will escape this pattern. Secondly, the private schooling experience in Australia, while not an entirely appropriate comparison, exhibits some patterns that are being replicated in the higher education sphere, that is, the "historical analogy with the private schools originally having no claim on the public purse" (Smart, 1986:20) and the incremental growth of subsidy. Thirdly, private institutions or their staff are already eligible to apply for some federal funds. Although there is disagreement whether such grants are subsidies or entitlements, the award giving is of substantial symbolic value to a private institution even if it is of marginal material worth. Similarly, regulation as it is currently evolving, does not impede educational entrepreneurs but helps to sustain uniform minimum standards of conduct, to their long term advantage.

Subsidy would be an unwelcome drain on government funds which, as the academic unions argue, could also limit the absolute level of funds available to the public sector. There are political considerations such as ALP adherence to an in-principle opposition to private higher education, especially state aid to private higher education. Financial support of private institutions is also recognised to be potentially electorally damaging, but the momentum for subsidy has already been established. Another possible disadvantage is that private institutions have the capacity to undermine the government's equal opportunity policy by a fee structure that excludes minority and poorer groups of society. Lastly, the hybrid, vocationally oriented and market driven institution such as AIBT and ICMS pose a possible threat to academic standards. To counteract this, the federal government has initiated a regulatory framework to protect overseas students and the overall reputation of Australian higher education.
The political response of the Hawke Government to the contradictory merits of private institutional development has been to shun legislative responsibility. John Dawkins and the White Paper have proclaimed that private institutions are inconsequential to the improvement of educational equity, participation and expansion that is anticipated in the reform of public higher education, thus eliminating the private sector from real consideration in public policy. More to the point, as the federal government is unable to directly influence private higher education, there has been little other choice than to take this position. In so doing, regulatory control, along with possible future pressure for subsidy and the political conflict it is likely to generate, has been in large measure devolved to the states. The new set of contradictions in higher education policy generated by the emergence of a private sector are being displaced onto state authorities.
Chapter Six
Conclusion

Privatisation in Australian higher education has been pursued by the Hawke Government as a method of alleviating excessive fiscal and political pressures. It has occurred in the forms of financing which, along with some deregulation, have also created a favourable environment for the emergence of both fully and partially private institutions. The pattern of financing, provision and regulation in Australian higher education has, consequently, been radically transformed. With the breakdown of the public monopoly on higher education provision, regulatory control has become more complex and important as the federal government devolves aspects of higher education financing and provision to state authorities and the operations of the market.

Privatisation in Australian higher education is the outcome of two primary forces. At a general level there are the broad economic objectives of the Hawke Government to structurally adjust the Australian economy in the direction of an export oriented, high technology basis. More specifically, there are internal strains in the higher education system which have been exacerbated by government demands of accountability. In an environment of global restructuring, the Hawke Labor Government is attempting to cut public expenditure while maintaining public services demanded by powerful interest groups. In this scenario, higher education is expected to achieve a multiplicity of objectives: to improve Australia's export in services and hence the balance of payments, to create a highly skilled population, to speed up economic recovery and provide applicable R&D for industry and to do so at less cost to the taxpayer. Accountability of the higher education system is summed in the term "economic relevance" whereby higher education is to promote a "brain based, export led recovery" (Hinkson, 1987:120). However, other political pressures have included demands from state governments, academics and students to widen access to meet burgeoning demand. The federal government has not been willing to finance this expansion but is pressured to do so in face of the legitimate expectations of these groups. Massive costs associated with expansion and the
capital needs of many run down older institutions have necessitated turning to private funding sources.

These conditions have not only given impetus to privatisation but also the rationale for more direct federal intervention in higher education to promote efficiency, better administration, concentration on curriculum of economic relevance and improved participation. This process has centralised power and decision making much closer to the department and the minister. Accordingly, privatisation has not meant that the higher education system now operates in an unimpeded market or that institutional autonomy is enhanced, merely that in some areas it is subject to market impulses while, overall, higher education is subject to much greater intervention through regulation and funding dependence.

One of the reasons for the current popularity of privatisation policies has been the permeation of neo-liberal views in setting the policy agenda and influencing key elements of the ALP ministry such as Paul Keating, John Dawkins, Peter Walsh and John Button. Among neo-marxists and neo-liberal theorists there has been, despite different ideological outlooks, similar diagnoses of Western nations approaching a series of fiscal and legitimacy crises, overload, ungovernability and economic stagnation. The literature on the subject, as Moran (1988:405) notes, was "extraordinarily fatalistic", however, neo-liberal explanations and solutions have predominated. One aspect of the literature is the "crisis of the welfare state" (Mishra,1984) and arguments that the middle classes have benefited more from free or subsidised health, housing and education than the poor. Another aspect of crisis is that of the severe resource constraints experienced by modern nation states; that is,

...a crisis of wealth creation caused by the way welfare states supposedly sapped the productive vitality of economies; a fiscal crisis caused by a gap between the taxation capacities of welfare states and the volume of demands to which they were subject; and a crisis of administrative resources caused by the gap between the scale and complexity of the tasks thrust on the state and its available control capacities (Moran,1988:403).
If, as Block (1987:184) notes, it is accepted that "reforms such as the expansion of social welfare actually interfere with the fundamental logic of a capitalist order, it becomes very difficult to defend those reforms from conservative attack". The third theme in the literature is that of legitimacy crisis or ungovernability; that is, a decline in the capacity of the institutions of a state to command popular support and adherence. This results from the clash between expectations generated in an era of prosperity and the restraints imposed in an era of economic austerity.

Combined strategies of spending constraint, cuts in provision or subsidy for minorities and the encroachment of private provision in social services, advocated by monetarists and market liberals, have been employed in the 1980s to counteract the crisis tendencies identified in the 1970s. One of the methods is privatisation. Within the education sphere, neo-liberal thought has been most evident in the free market interpretation of human capital theory which provided the intellectual foundation for arguments that education is a private good and a commodity. These reforms have been brought at the cost of universal free education and have had most effect on unfavoured minorities such as overseas students. Demands for extra state spending have been resisted by government without encountering fiscal crisis or the collapse of necessary infrastructure. Similarly, the government has maintained popular support by appeal to a range of themes including nationalism and the urgency of economic restructuring. Tax cuts, or the promise of them, also appear to outweigh the disquiet of the majority. Legitimation conflicts are "defused by the penetration of market ideology" (Taylor-Gooby, 1988:18) which places responsibility on the individual as the state withdraws from the responsibility of satisfying legitimate demands.

The "Golden Age" after the Murray and Martin Reports has been at an end for almost fifteen years. Financial stringency commenced with the 1975 Hayden Budget and the Fraser period marked a period of "steady state". From a high of 1.36% of GDP in 1975, to a low in 1988 when it was 0.99%, which was not reversed until the 1988 Budget which saw higher education funding returned to over 1% of GDP in 1989 (Dawkins, 1987b:124). Fiscal stress has
prompted significant changes in the higher education system of cost cutting, larger classes and amalgamations to enforce economies of scale. The Hawke Government reform agenda reflects these pressures but implies something qualitatively different than a return to Professor Scott's "bad old days". Instead the commitment to liberal educational values has been undermined in favour of a narrower and more utilitarian view of education driven by powerful bureaucrats and a minister who define what is appropriate and useful knowledge.

Decreasing autonomy and growing federal control has been exemplified by the fate of CTEC. The strong interests that coalesced around CTEC, the dominant source of policy advice, represented barriers against rapid change. Change was slow, exacerbated by federal structures, a large number of participants and competing interests in the higher education community. It was difficult for the federal government to direct the system or bring about significant change due to the strength of professional power. However, as other government agencies and departments sought and gained input into higher education policy, the cohesiveness of the traditional policy community was disrupted. CTEC's authority and sole control over higher education was circumvented by other departmental interests and bureaucratic struggles for resources and program responsibility. The subsequent rationalisation of the education portfolio into the super-department of DEET overcame some of this policy fragmentation by imposing greater central co-ordination. The redefinition of education from liberal progressive terms to vocational terms of economic relevance has also disintegrated the old network of control. New agencies of control (ASTEC, DEET, ARC) have emerged around this redefinition. With the abolition of CTEC, the federal government has greater power to mould the system as it desires. The subsequent administrative changes were matched with a ministerial reshuffle which saw Susan Ryan (who had defended higher education interests in Cabinet and Caucas) replaced with John Dawkins who was much more imbued with the philosophies of economic rationalism. Whilst economic rationalists may be ascendent, this does not mean that their ability to pressure policy makers will be unmediated by groups with other demands. The resilience of the higher education system to the White Paper reform agenda cannot be assessed as yet, but it could be a significant countervailing force during the implementation phase.
Colleges and universities have been vulnerable to government reforms because of funding dependence and a poor public image. By not fulfilling expectations, of spurring economic growth through production of skilled manpower, or fully accommodating student demand and rectifying social inequalities, institutions have faced a barrage of criticism. Their PR effort has been unable to counteract such claims which have consequently become the common wisdom (Hilmer, 1988:38). Whether inefficiency and unaccountability is a myth or not is irrelevant. Cultivating such a perception provides the federal government with the authority to intervene and rectify matters to its own liking. As "rational economic managers", the government is seen as imposing accountability, not meddling in institutional affairs. Cast as inefficient and elitist, public universities and colleges do not engender much public sympathy. There is not a broad based coalition of community interests to defend the public system. Furthermore, higher education interests are not united. There are divisions among the academic community as a result of the old binary divide between colleges and universities while the new binarism also divides scholars not on institutional nomenclature but on whether academics are engaged in teaching or research; whether their disciplines are economically relevant or not and whether or not they can generate income from the sale of FFP courses and/or consultancy work. Susceptibility to government dictates is doubly compounded by the dependence of institutions on the Commonwealth for funding. Institutions are in no position to oppose the federal government, other than at a rhetorical level. Opposition, therefore, has been largely ineffectual.

The reform process alleviates fiscal pressures upon the government by drawing upon other resources. Problems of legitimacy are also relieved as private resources contribute to the expansion of higher education, alleviating unmet student demand. At the same time, however, students are portrayed as privileged, therefore, a charge can be legitimately extracted without arousing broad based opposition. More generally, privatisation has been seen by the Hawke Government as a way to raise capital funds to plough back into public enterprises such as Qantas, the Commonwealth Bank and Telecom, amongst others. However, sustained union
opposition and division within the ALP has offset the privatisation of major public corporations. The Hawke Government has had greater success in privatising aspects of social provision. It is not so much a case of overt support of privatising education, health or other social services but a privatisation resulting from fiscal and administrative actions over time and the resulting dynamic that is set up.

The mechanisms of privatisation, it has been suggested, can be broken down into four categories: the privatisation of financing; contracting out through providing public funds to private institutions for specific teaching and/or research purposes; denationalisation, such as Melbourne University selling 50% of its business school, and load-shedding which can occur with the dilution of government provision through joint venture arrangements or the encouragement of alternative private institutions; and lastly, liberalisation. If the Liberal Party were able to implement the HES scheme once in office, allowing publicly funded Australian students to take their "voucher" to a private institution, then this would constitute an indirect form of contracting out. At this point in time, private institutions providing degree courses on contract, is not condoned by either of the major political parties.

Liberalisation has not been an objective of the Hawke Government in higher education policy which has, instead, centralised control. Even so, while power and decision making has been concentrated closer to government, there have been some deregulatory measures with the break down of the binary system and greater competition in research funding and academic salaries. Yet market impulses have been contained to areas determined by the federal government. For example, as Professor Karmel (1987a:75) notes, the management of research funding reflects the contradictory tendencies of both centralised control and specification of research priorities as well as liberalised resource allocation with a greater degree of competition in the allocation of funds, both internally within institutions and externally from grant-giving bodies.

The federal government has pursued the privatisation of financing above all other forms. Fees for overseas students or postgraduates, the graduate tax and private research or consultancy
funding has been pursued to alleviate the fiscal burden of higher education. Efficiency is another prime objective of the government in promoting fiscal privatisation "... on the principle that resources will be better allocated through the market than by political decisions" (Worrall & Condon, 1987:35). These changes widen the domain of the market in higher education, transforming education services into a commodity that may be bought and sold. However, commodification was only made feasible through the increasing acceptance of the free market version of human capital theory.

The human capital perspective has been present in policy throughout the post World War Two era and, although subject to different emphases and interpretations, the social rate of return from investment in higher education has been stressed. The free market version, advocated with various modifications by Professors Watts, Porter, Hughes and Freebairn has a much narrower range of reference. Education is cast as a private good, individual investment in which pays off in increased status, higher lifetime earnings and enhanced lifestyle. The Hawke Government has taken on both perspectives. The social rate of return perspective has been stressed in government objectives to develop a highly skilled workforce and to advance technological development. The private rate of return has been picked up as the basis of arguments that students should pay for their education. Users, that is students, have been targetted as the primary beneficiaries from investment in education. They should, therefore contribute to the costs of their education.

The decision to impose user charges through a graduate tax, overseas student charge and other fees for academic services has been cast in equity terms. Only by first establishing in popular thinking the idea that free education has had inequitable outcomes was this feasible. Free education has been represented as a transfer of income from the poor to the more privileged elements of society, therefore, user pays is equitable because it is a counter to privilege. Despite the egalitarian rhetoric, an argument can be mounted that user-charges brings greater social inequity as new financial barriers are imposed against student access, weighing more heavily on poorer and underprivileged groups in society than the wealthier who can afford the
costs and are less risk averse.

In no sense at all has the Hawke Government sought to denationalise higher education. The privatisation of production has nevertheless occurred through the entry of private entrepreneurs. The federal government is powerless to control the emergence of these institutions although it has been largely responsible for establishing viable conditions for private investment especially with the export of education and a history of political and bureaucratic decision making that kept the expansion of higher education below the rate of growth in student demand. Overseas students are the lifeline of most private institutions. Whereas in 1984 all overseas students were either subsidised or fully sponsored by the federal government in public institutions, by 1988 there were FFP overseas students in private institutions and the subsidised program is to be abolished in 1990. Additionally, the introduction of user-pays systems in the public sector improves the competitiveness of private institutions. Consequently, the federal government has unintentionally undermined its own monopoly by creating incentives for a dual system.

The outcome of these policy changes has been the evolution of three modes of private provision in Australia; the hybrid, the semi-private and fully private institutions. Unlike Japan or the USA, where mass provision prevails, in Australia the pattern is one of peripheral private provision. This is largely a function of demand and the availability of capital. Given the dominance of the public sector, however, there is pressure upon all the private institutions to provide something that is "more, different and/or better" in order to attract students. The hybrids tend only to provide "more" education. They are overflow campuses for excess overseas demand and concentrate on the high demand vocational disciplines. Many of the offshore ventures would also fit into the hybrid category as a cheaper alternative to overseas study. Another group of institutions aspire to a different or better kind of education service and tend to be fully private. Unlike all other developments, the Bond University plans a breadth of disciplines for under-graduates and post-graduates (although Notre Dame may do something similar). By comparison the Tasman and Fairfax ventures are more limited, focusing on postgraduate courses in a narrow range of subjects such as business administration.
and computing. Specialisation involves less expense. A different kind of service can be provided in a number of ways. The University Notre Dame of Australia, for instance, intends to provide a "moral and spiritual vision" in addition to standard academic fare. The Bond and Tasman Universities have indicated that they intend to promote academic excellence through better facilities, better course offerings, closer links to industry and attracting the cream of academia. It is the "mission" of these institutions to more effectively serve the needs of business and industry and to provide graduates with a better chance in the labour market. They cultivate the view that private institutions are superior and more accountable to social and economic needs.

There are enormous capital and recurrent costs associated with higher education, particularly if private institutions wish to engage in research and/or provide a breadth of course offerings in the tradition of the liberal university. There is consequently a need for philanthropy, gifts, alumni support or government subsidy. Obviously fees cannot represent the full cost as they would be prohibitively expensive. To-date, Australia has not demonstrated a strong tradition of philanthropy. Thus a variety of ingenious ancillary activities in tourism and real estate development have been developed in conjunction with the education project to make the entire enterprise profitable. Despite ancillary profit making activities, they are likely, in the long term, to demand public subsidisation. Certainly, the global pattern of public subsidisation for private institutions, and past experience of the private school system in Australia point to this likelihood. Furthermore, private institutions have already sought subsidies of various kinds. The Tokyu Corporation desired state government support for its Yanchep campus, the Vice Chancellor of Bond University has argued for the eligibility of Bond students for Commonwealth student assistance while Lady Mary Fairfax has sought tax concessions. Claims for more extensive public support could possibly be made on the grounds that private institutions serve wider social needs, provide additional choice for students, help produce a skilled workforce and promote research for economic development. With the current government emphasis upon human capital formation, the export of education services and the encouragement of private contributions to higher education, the private institutions cannot be
accused of not pursuing national objectives and a financially pressed government may find it expedient to subsidise these ventures.

Regulatory control of private institutions is in a formative stage and is most evident regarding overseas marketing. Educational standards is, for example, a major issue arising out of overseas marketing as there is the potential that entry and exit standards of overseas students will be lowered in order to maintain viable enrolment levels. There have already been unethical practices among some sectors of the industry which have reflected badly onto the entire industry. This issue has not yet been resolved and could become more pressing in the 1990s as more private providers enter the market and competition increases.

Overall, the federal government has disowned major responsibility for private institutions. They are, it is argued, within the constitutional domain of the states. This stance has meant that state-federal relationships in higher education are once again taking new shape. State authorities are responsible for monitoring the standards and overseas marketing practices of both public and private institutions. Similarly, the states have the legislative power to grant university charters or subsidy to both public or private institutions and have been prepared to do so. Most importantly, however, the privatisation of higher education does not entail rolling back the state. Government commitment to public higher education remains, albeit through different mechanisms. Further, the federal government has increased direct control by removing CTEC despite allowing some deregulation. The pattern of provision, financing and regulation in higher education has moved away from one of government monopoly to a more complex pattern of private and public provision, private and public funding, and state and federal regulation. A primary mechanism in this process has been privatisation.
Endnotes.

Introduction
1. Throughout the thesis "higher education" refers to universities and colleges of advanced education, as well as the new private "institutes", "academies" and "centres" of higher education. Post secondary school institutions such as TAFE colleges are not included but are referred to specifically in the text.

2. There was often extreme reluctance on the part of DEET officers and Dawkins' staff interviewed to talk about "privatisation" and higher education policy making processes. Indeed, policies which I would categorise as a form of privatisation were defined differently. For example, the graduate tax would not be seen as a form of privatisation but categorised as a user-pays system. Privatisation was, at the time, high on the political agenda and something of a politically volatile term with many unfavourable connotations (for the ALP). Furthermore, an explicit strategy of privatisation in higher education was not being pursued by the ALP Government, hence, there was no need to talk about privatisation. Such definitional problems made interviews somewhat difficult in what was already a fluid area of policy given the White Paper reforms. One senior public servant prepared to talk about private higher education requested that his comments not be attributed. Regarding private higher education institutions and the formulation of policy, it was often not possible for Department officers to provide assistance since the federal government has decided that private higher education is an area of state government responsibility.

3. Prior to 1974, the provision of higher education was through public universities and colleges but there was a mixed economy of financing. Students paid fees which, in 1973, represented between 15-20% of an institutions running costs (Karmel,1987b:3). Private donations and bequests were, more often than not, limited to the older universities and played a minor role in the financing of post World War Two higher education development.

Chapter One.
1. Before World War Two, the federal government was not considered to have the constitutional power to involve itself in education. The one area where the federal government did assume early responsibility was in connection to defence. Additionally during the 1920s, the Commonwealth took steps to develop training schemes for government personnel. A 1946 referendum brought about the Social Services Amendment (Section 51[xxiiiA]) that has allowed the Commonwealth to provide "benefits to students".
2. The Mills Report established a formula for Commonwealth federal assistance that bound the States to a maximum matching grant, to ensure that the States would give sufficient support to the universities. Grants were on the basis of one pound for every three pounds received by a university from fees and university grants (Gallagher, 1985:50).

3. In 1952, the AVCC published a pamphlet entitled "A Crisis in the Finances and Development of Australian Universities". The pamphlet and subsequent AVCC lobbying stressed the need of sufficient finance for universities to establish a reasonable ratio of staff to students, develop post graduate and research activities, an increase in the number of universities and planning for universities on national rather than regional considerations. The reference to national priorities reflected the view that it would be necessary to "provide the graduates essential to the development of the Australian economy" (see Williams, 1977:130-31).

4. The Murray and Martin Reports brought about significant transformations whereas the inquiries of the late 1970s, early 1980s did not have the same impact. Presumably, the adverse economic and political environment from the mid 1970s prevented committees such as the Kangan and William's from recommending major redirections in policy. Additionally, the almost complete lack of an educational bureaucracy in Canberra may have enhanced the influence of Murray and Martin recommendations whereas the education bureaucracy has more recently built up its own expertise to the extent of conducting internal reviews of education as epitomised by the White Paper and Wran Report (see Smart and Manning, 1986:212).

5. One study argues that amalgamations brought gains in the quality of teaching and learning, however savings in recurrent spending in the two cases investigated were very small (Harman, et al, 1985). The political trauma of one proposed amalgamation was sufficient for the ALP to reverse the amalgamation decision for Armidale and Newcastle once it regained office. See also, Harman & Meek (1988).

6. Contestability theory has emerged as a counter theory to public goods theory. It is far too sophisticated an argument to replicate in full but the reader is referred to Albon (1986:41), Baumol(1982) and Kay and Thompson (1986:25). This theory is used as one plank in neo-liberal arguments for privatisation. If it is not possible to have competition because of the existence of a natural monopoly, such as in defence or electricity grids, it is argued competition could be introduced through competitive bidding for the monopoly, that is, franchising.

7. Other merit goods include water fluoridation, inoculation against disease and public spending on art, historic buildings and cultural events.
8. This is the "screening" argument which suggests that education has a credentialing function enabling the holder of a diploma to get a well paid job but does not necessarily affect productivity. See Psacharopoulos (1987) for an overview of the debate.

9. Interest in human capital theory was revived in the 1950s and 1960s with the work of Shultz (1971) and Becker (1975) but application of the theory to Third World development suffered from its instrumental objectives. Universities were seen as critical agencies of development where the educational processes aided attitudinal change towards modernisation as well as developing technologically sophisticated "manpower" that could utilise physical capital in the growth process. For instance, it was thought that agronomy was an ideal faculty to promote economic development in less developed nations. Yet, trained agronomists were not always absorbed by the farm sector. On the occasions they were, their productivity was often not as high as their social science counterparts, although the cost of their training was significantly higher. Lastly, the creation of skilled manpower is futile if there are no jobs. There are alternative paths of economic growth such as the requirement for capital investment in new infrastructure or industry, new work practices or investment in R&D and investment in education does not necessarily have immediate returns. Consequently, there are major technical problems with human capital theory: you cannot measure its residual role in economic development, therefore, you cannot predict future levels of investment. Lastly, the interaction of social and private returns over time is too complex for analysis to decide whether investment in education is generally a good thing (see Psacharopoulos, 1987).

10. One policy response has been the depreciation of the Australian dollar which makes Australian exports more competitive on world markets and imports more expensive. The supposed effect is a J-curve; demand for imports does not depress immediately due to habitual consumption patterns. The balance of trade would therefore worsen before there would be an improvement.

11. Australian economic insecurity has been exacerbated by other countries engaging in unilateral strategic trade policy, especially protectionism which has eroded support for an international free trade regime, as epitomised by the ineffectiveness of GATT (see Higgott, 1987:46). The implications of unilateral and bilateral trade relations magnify the assymetries of power in Australia in its attempts to secure multilateral resolution of international trade regime issues.

12. In the perfectly competitive neo-classical model of economic behaviour, comparative advantage is assumed to depend directly upon the relative factor prices which in turn are determined by the structure of the supply of the factors of production (land, capital, labour).
Once countries identify their comparative advantage it can be exploited by specialising in export production thereby experiencing growth.

13. Social democratic thought is as individualistic as other liberal interpretations of society. The difference, however, between neo-liberalism and social democracy is the latter's reliance on a positive role for the state in social and economic affairs. In addition to stressing equality before the law and equal treatment of individuals, the social democratic version of equality emphasises equality of opportunity and consideration of different individual needs not determined solely by capacity to pay through the provision of public goods and welfare (see Gamble, 1981:174).

14. The spread of New Right thinking has been assisted by the growing significance and prestige of the independent policy research institutes (colloquially known as "think tanks") such as the Centre for Independent Studies (CIS), the Centre of Policy Studies (CPS), the Australian Institute of Public Policy (AIPP) and the Institute of Public Affairs (IPA) with UK counterparts in the Adam Smith Institute, the Centre for Policy Studies (established by Margaret Thatcher and Sir Keith Joseph) and the Institute for Economic Affairs along with the Heritage Foundation and the American Enterprise Institute in the USA. The views emanating from these institutions - which maintain strong organisational links across the world (interview, Lindsay, 1988) - challenge consensus thinking and provide the organisational basis in the neo-liberal battle against big government. A number of politicians, prominent lobbyists, business people and academics have strong association with these bodies (see Moore & Carpenter, 1987 for an outline of elite affiliation with the New Right).

15. The fundamental tenet of monetarism is that a modern industrial economy, if left to itself, is self stabilizing: all available resources are fully utilised; economic agents (business people, workers, households) optimize and take rational decisions; and markets clear in the sense that all prices adjust to equate supply with demand (see Stewart, 1986 or Friedman, 1962).

16. Anarcho-libertarianism is the most extreme element in New Right thought. Anarcho-libertarians favour a state devoted solely to the maintenance of law and order, and protection against foreign enemies. Objectivism, in the tradition of Ayn Rand is another aspect. Minimal statism is exemplified by the work of Nozick (1984) who has argued that governments may only legitimately maintain a framework of laws. The Austrian School, the Public Choice School and the Chicago School of monetarists are the remaining elements. Another strand of the New Right movement is conservatism and moral authoritarianism which has not been addressed in this thesis.
Chapter Two.

1. In regard to the first, more limited sense of the term privatisation, the managerialist, Peter Drucker, was the first to coin the term "re-privatisation". An ungainly term, re-privatisation reflected his belief that most public enterprise had its origins in the private sector, and saw re-privatisation as a means for government to escape ungovernability (see Wettenhall, 1983).

2. According to Papadakis and Taylor-Gooby (1987:15) the sociological definition of privatisation accounts for a trend in society of "political culture running from collectivism to individualism thence to privatism". With economic decline and the inability of the political parties to reverse recession, people turn away from collectivism and retreat into private life. Individualist norms are reinforced by neo-liberal ideologies of competition and values of personal responsibility (Offe, 1987). The deterioration of collectivist values generates private market consumption of health, education, transport and housing, particularly among the middle and upper classes where private consumption has higher social status. These anti-collectivist orientations disintegrate support and legitimacy for public spending and the welfare state.

3. Some observers have even talked of "nationalisation" in higher education. Increasing federal intervention into higher education and the centralisation of control within the ministers office has "nationalised" planning and administration according to Withers (1987) and Rawson (1987) instead of allowing the higher education system itself to effect changes.

4. There are other models with five categories. Dawkins (1986:228-30) provides five categories. One category, hiving off (selling parts of a public body), however can be incorporated with another category, the sale of public enterprises, under the general heading of privatising production. His category of "privatising welfare" is not a form of privatisation; it is merely an area in which privatisation policies can be implemented. Accordingly, Dawkins model is a deviation from LeGrand and Robinson's (1983). Similarly, Mansfield (1987:71-73) provides a five part model which is a modification of Heald's. He outlines categories 2, 3 and 4 of Heald's model with two additional categories of "the subsidisation of private sector activity to enable it to assume public sector functions" and, secondly, "reduced public subsidy of selected private sector activities not undertaken by the public sector". The former encourages alternative providers (category 2) while the latter is a form of privatising the costs (category 1).

5. There has only been one education voucher experiment, at Alum Rock in California. It was limited to public schools which charged uniform fees and the voucher was partially income related. It did not produce a market but had the effect of dezoning access to schools and beneficial results in providing a greater range of educational programs for students and parents.
A voucher feasibility study was conducted in Kent County in the UK but as only 9% of parents indicated a preference of moving their children from a state school to an independent school, the proposal lapsed (Blaug, 1984; Papadakis & Taylor-Gooby, 1987). In early 1974 the US Bureau of Social Science Research designed a voucher system for vocational training. In general, vouchered training increased satisfaction for those in technical areas, those with low educational attainment and those with low wages. Satisfaction decreased for clerical and blue collar workers and those with more than twelve years schooling. Prior to the experiment the private training agencies involved raised their costs, leading the authors of the study to conclude that while it is administratively feasible, vouchered training would cost more (Snook, 1988).

6. A hybrid, according to Steel, arises from partial denationalisation and can be described as "companies in which there exist substantial public and private shareholding" (1984:101). Steel was referring to the UK practice of converting public corporations into a Companies Act company where private capital is introduced by sale of roughly 50 percent of shares. Hybrids are regarded by a number of UK ministers as an intermediate station en route to full denationalisation.

7. A new political economy of regulation, initiated by George Stigler (1971) has focussed analysis on the undesirable effects of government intervention. The theory postulates that the real purpose of regulation is not to enhance public welfare, but to protect sectional interests. Analytically, regulation is regarded as the outcome of a demand for and a supply of regulation. The demand for regulation will be greater when the recipient group is small, when it has homogeneous objectives and when large gains are expected. These conditions are conducive to the formation of effective well financed political lobbies, and regulators are likely to be captured by those they purport to regulate. In short, Stigler demonstrated a tendency for government regulation redistribute income in favour of regulated firms. Regulation, in this view, insulates an industry, (car manufacturers, textiles) from competition, staving off bankruptcy.

8. For example, immediately after the flotation of British Aerospace, there were almost 158 000 individual shareholders in the company, but ten months later this had fallen to about 27 000 (Prosser, 1986:80).

9. According to Bailey (1987), the proliferation of competing rubbish disposal firms after the adoption of contracting out in New York City was misleading since many were owned jointly by a holding company. The city was also divided into service districts with "agreements" among firms not to compete for routes in another firm's district. The lack of competition entailed overcharging and efficiency losses. See Savas (1985) for an alternative view.
10. In SA, through a program of "commercialisation" the state government sold 35% of the state owned Australian Mineral Development Laboratories while the WA ALP Government sold 50% of its R&I Bank. Ironically, in these two states the Opposition parties had campaigned in favour of privatisation during the previous elections. The conservative parties failed to sell the policy whereas their political opponents have had more, if not complete, success. Additionally, the ALP NSW government has sold the Newcastle State Dockyard.

Chapter Three

1. Although the AVCC has estimated unmet demand to be in the region of 20 000 some doubt this figure. Demographic evidence indicates that there will be a drop in the school age population in the mid 1990s. Consequently, retention rates would need to improve markedly for school leaver demand to remain constant (see, for example, Anderson, 1988:111-12; Dawkins, 1987b:114-15). It is also to be wondered whether potential students, both school leavers and the mature aged, would be as willing to pursue higher education with the recent imposition of fees and/or graduate taxes. Nevertheless, the AVCC figure has been frequently used by the media and in public debate. The belief in the existence of high unmet demand also suits the current minister's objectives when arguing that the higher education system has been inefficient in meeting community needs. Hence, for the purposes of this thesis, the existence of high unmet demand, whether real or imaginary, will in most cases be assumed.

2. Overcrowding in a number of universities is acute. At Sydney University, for example, lecture halls are accommodating more students than is safe on this campus. Without resources to overcome space problems and meet staff shortages, the ability of institutions to meet government priorities is structurally limited (Australian, 29.6.1988:14).

3. The binary distinction began to break down during the early 1980s with the pressure of the DOCIT (Directors of Central Institutes of Technology) group for the right to expand into Master Degree programs and for a share in Commonwealth research funds allocated to universities as part of their recurrent grant.

4. The Western Australian Institute of Technology was renamed Curtin University of Technology in 1987. Since then Royal Melbourne Institute of Technology, Queensland Institute of Technology and NSW Institute of Technology have been accorded university status.

5. Since 1974 when fees were abolished, private overseas student numbers in universities have been rapidly rising, doubling in number from 5922 in 1974 to 10797 students in 1983. Malaysia is the largest sending nation providing 57.3% of all tertiary and secondary students in
1983, followed by Hong Kong with 13.3%, Indonesia with 6.6% and Singapore with 5.5% (Goldring et al, 1984: Appendix A)

6. The Report from the Joint Committee on Foreign Affairs and Defence, *Australian and ASEAN: Challenges and Opportunities*, was released shortly after the Jackson and Goldring Reports. It strongly supported the Jackson Report approach as a means of an expanded Australian business thrust into the region. For a critique of the educational recommendations of the Jackson Report see Fraser (1984).

7. The Goldring Committee felt that the existing overseas student program enhanced Australia's commitment to development assistance, promoting future trade and commercial links, political good will and Australia's research and teaching endeavours through the presence of overseas postgraduate students. The Goldring Report estimated that the subsidy to overseas students in 1984 was approximately $70 million whereas overseas student expenditure tallied at $105 million. Research in the UK has found that the preponderant view among British industry was that overseas students are of immense value for developing trade links as British educated people tend to show a preference for British products, are fluent in English and are a convenient point of contact between UK and foreign business managers. See "Overseas students and British commercial interests" in Williams (1982).

8. The Malaysian Government was particularly vocal in its criticisms. Prime Minister Mahathir indicated that increased OSC and the introduction of FFP courses "consciously discriminated against developing countries...and that short-term gain in terms of fees, etc., cannot offset long term loss of goodwill" (Mahathir, 1984:312). Malaysia did not mount a boycott of Australian exports unlike the boycott that followed the introduction of fees for overseas students in the UK.

9. There are further implications for immigration policy. Overseas students in the sponsored and subsidised categories are required to leave Australia for a minimum of two years before they can apply for immigration whereas FFP overseas students are not subject to the same regulation but can apply immediately after they return home. FFP courses of overseas study could become a conduit of immigration should immigration policy favour graduates with Australian credentials. Incidentally, the emphasis on skilled immigrants as more desirable in fuelling economic development is another application of human capital theory.

10. The rejection of three or four FFP overseas students is the loss of several thousands of dollars, an amount often equivalent to the value of an academic salary. If jobs are threatened, university selectors are under great pressure to drop entry requirements in order to maintain
income flow. In contrast, domestic student admission can be highly competitive and of high standard in a situation of high demand. With declining domestic enrolments in private US institutions - from 50% to 21.5% between 1950 and 1976 - some US colleges which are dependent on fee income for survival have sought to recruit overseas students to fill unused capacity. Unscrupulous agents and recruiting practices have necessitated an "Ethics coded to stem abuses in recruiting foreign students". See Smith et al in Williams (1982) and also Jenkins et al (1983) for a discussion of US experience.

11. A high concentration of overseas students could result in pressure for courses to be of greater relevance to the overseas students interests rather than Australian or Anglo-centric perspectives. Frequently, there is also a need for additional services such as English language tuition, bridging courses, counselling and accommodation. Such demand may put impossible burdens on teaching staff if there isn't support staff for overseas students.

12. 50 FFP overseas students who attended the Receptionist Centre of NSW took the Director of the Centre to the Sydney Consumer Claims Tribunal for a refund of their fees. The group argued that their courses did not meet the objectives laid down in the Centre’s advertising brochures nor provide recognised certification. The OSO subsequently suspended the centre.

13. The union representatives on the education mission to Southeast Asia were dubious of the monetary gains to be won from the export of education services. They saw greatest demand for short course provision, vocational - technical training, external courses and postgraduate programs and not so much demand in mainstream undergraduate courses. They also feared that the returns of this export industry could be overstated when hidden cross subsidisation took place in institutions (Tease, et al, 1985:65)

14. Curtin, an early entrant to the FFP overseas student market, has generated sufficient income to finance the construction of a $4 million Commerce Building. Another institution has gained $40 million line of credit on the basis of its overseas marketing success (interviews, Yacopetti, 1987: Buckingham, 1988).

15. All explanations are identifying the one phenomenon albeit from different analytical foundations. Marshall was drawing upon Richardson and Jordan’s (1979) thesis of policy communities that roughly correspond with areas of functional administrative activity such as health, agriculture or defence which have well defined sectoral boundaries. Individual sectors are made up of relevant department(s), statutory authorities, advisory committees and established interest groups. In his work on the UK educational establishment, Walsh was drawing upon Cawson (1982) and the notion of meso-corporatism.
16. At the beginning of each triennium, state authorities and institutions prepared funding proposals which were presented to the relevant sectoral councils for consideration. The reports of the three councils were then worked into a comprehensive policy statement by CTEC (Volume 1) which is submitted to the Department of Education which, in turn, circulates it to other interested departments for comment. The decisions made by the cabinet are termed the "guidelines" and constitute CTEC's policy directives. The guidelines become the subject of further negotiation between the Commission, the advisory councils and groups before specific measures are finalised (Volume 2). Additional reports may be produced during the course of the triennium.

17. Purported members of this inner sanctum included;
- Professor Don Watts, Vice Chancellor of the Bond University,
- Dr Helen Hughes, former chairperson of the Jackson Committee on foreign aid which advocated the abolition of educational aid in favour of full fee exports.
- Professor Mal Logan, Vice Chancellor of Monash University,
- Professor Bob Smith, Vice Chancellor of UWA and head of NBEET,
- Professor Don Aitkin, former head of ARGS and head of the ARC,
- Dr Brian Smith, head of RMIT,
- Jack Barker, retired head of the Ballarat CAE, and member of the Higher Education Council (HEC) of NBEET.

18. The process of structural review in response to economic needs has been replicated trends in other Western nations such as the UK and New Zealand (see Ross, 1985; & Fabi, 1988 respectively).

19. Prior to the graduate tax proposal, the 1986 ALP policy platform stated that "education must be universal, secular, free, public and democratic" and that the ALP would maintain the provision of "free tertiary education". The latter clause has been replaced to read that "...all qualified Australians will have access to a tertiary education regardless of their means".

20. The possible amalgamations of Murdoch University and University of Western Australia; the Australian National University and Canberra CAE; the University of New England, the Northern Rivers CAE and Armidale; Deakin University and Warrnambool Institute of Advanced Education; the reorganisation of the five South Australian higher education institutions into two; the University of Tasmania and the Tasmanian State Institute of Technology; Monash University, Chisholm Institute, Swinburne Institute and Rusden Campus of Victoria College; Newcastle University and Hunter Institute of Advanced Education; Darwin
Institute of Technology and the University College of the Northern Territory; and La Trobe University and Phillip Institute of Technology have been investigated. In the White Paper, the government indicated that it would use financial incentive to promote economies of scale. A student load of 2000 EFTS will be the minimum for entry into the UNS; 5000 EFTS will justify a broad teaching profile with some specialised research, while 8000 EFTS will be the basis for comprehensive teaching and research.

21. In regard to the Canadian comparison the CAEs, which enrolled 209 077 students in 1985, and also the the TAFE sector, were not taken into consideration. The Canadian system does not have an Australian equivalent of CAEs, yet its universities undertake much of the professional training that are normally the province of CAEs. If the relevant data is incorporated then Australian performance looks a lot better.

22. The two most effective programs for expansion and equalizing entry were the Commonwealth Reconstruction Scheme under which thousands of ex service men and women graduated, and the State Government Schemes for recruiting and training school teachers. These schemes successfully improved access for women, country dwellers and the lower middle classes, normally under-represented, because the schemes were comprehensive in providing free tuition and a grant to cover the full cost of living, further assistance for students who needed to complete school, counselling for personal and academic problems, tutorials in addition to those for regular students and career advice (Anderson, 1988:125).

23. Senator Walsh proposed two schemes. The first envisaged charging tuition fees at the rate of 15% of average recurrent costs in conjunction with a TEAS type income test for all first degree students. Those falling below the threshold would be exempt from the fee. The second scheme (announced July 1985) featured universal fees and a loans scheme administered through private financial institutions. Loans would be paid at a set rate when a graduate's income exceeded $15 000.

24. The legislation for full fee paying postgraduate courses reads as follows:

9.(1) On application by a university, college of advanced education or institute of advanced education, the Minister may specify, by notice published in the Gazette, post graduate courses for the purposes of subsection (2).

(2) A person who possesses educational qualifications and has earned a living at any time may be charged fees in respect of undertaking, for the purpose of acquiring further qualifications, a post graduate course specified under subsection (1).

25. Tax tuition credits represent a mechanism to subsidise families for private education
through a specified reduction of income tax liability. To the degree that tax credits encourage individual choice on the marketplace, they would have the same impact as a voucher scheme. While the concept has not been touted in Australia, in the USA a number of bills were proposed in the 1970s and 1980s that would provide tax credits of up to $500 (Carnoy & Levin, 1985:227).

26. Bulbeck (1987) proposed a levy on all graduates based on a flat percentage of income earned above average earnings. A modification of this scheme was proposed by Wells (1987) who sought to tie the costs of the education received by a student to the amount paid via the tax system. He argued that a flat rate would be inequitable in recuperating the costs, or a proportion of the costs of education, as paying for the rest of one's working life would entail some graduates paying well in excess of the costs of their education and others paying very little.

27. The original proposal of the Wran Report was that charges for students should be proportional to the costs of the courses, that is, that science and medical students pay more than their counterparts in the humanities and social sciences where costs are lower. A flat rate was adopted when the proposal went to cabinet and the ALP Caucus committee on Employment, Education and Training.

28. For an estimated 60 000 post graduate students in Australia, including graduate diplomas and LittB's, the government has allocated 15 000 exemptions from the graduate tax in 1989. However, administration and funding of postgraduates is to be reviewed in 1989 by the ARC.

29. Other research and consultancy companies set up by Australian tertiary institutions include: Durac Ltd (Deakin University); Technisearch Ltd (RMIT); Victrac Ltd (Victoria College); Insearch Ltd (NSWIT); Mitchellsearch Ltd (Mitchell CAE); Tunra Ltd (University of Newcastle); Unisearch Ltd (University of NSW); Unquest Ltd (University of Queensland); Luminus Pty Ltd (University of Adelaide); Saccess Inc (South Australia CAE); Techsearch Inc (SAIT); Uniscan (UWA); Wait Aid Ltd (Curtin). In addition, Monash has recently set up an R&D company. In a slightly different approach, the University of Sydney has established a Business Liaison Office (BLO) that handles contracts and negotiations between industry and sections of the university. An excellent study of higher education companies and linkages with industry can be found in Stankiewicz (1986).

30. For example, the Bourne Griffith firm of accountants has contributed $150 000 to establish a microfiche database of Australian dissertations in the fields of accounting, finance and taxation (Australian, 20 January 1988:16). The University of NSW has entered a deal
with the US drug company, Baxter Travenol, to establish a $7.5 million Centre for Biomedical Engineering. The Universities of NSW and Melbourne have collaborated with Nucleus Holding Co. on research into medical equipment. Syrinx Research Co. is funding research into membrane technology at the University of NSW. Similarly, the Basser Department of Computer Science at the University of Sydney is funded by firms such as Wang Computer Pty Ltd, Honeywell Pty Ltd and National Advanced Systems Pty Ltd.

31. The Senate Standing Committee on Employment, Education and Training under the chairmanship of Senator Terry Aulich (ALP) is currently investigating more efficient uses of resources in higher education institutions while a House of Representatives committee recently tabled a report on institutional practices.

32. A good example of the influence of neo-liberal ideas can be seen in a collection of conference proceedings by Hogbin (1988). The papers were presented in 1984 but as the editor notes, they were "remarkably prescient" in light of ensuing events in higher education. This is particularly so, as the federal government has picked up many of their criticisms and some of their solutions.

Chapter Four.

1. The fate of Buckingham University has been greatly influenced by political factors. The University was officially opened in 1973 by Conservative Education Minister, Margaret Thatcher. An election months later found the fledgling college in a cold political environment. It soon found itself in financial difficulty but was bailed out by a gift from the Sultan of Brunei. Political troubles evaporated with the election of the Conservatives in 1979. In the 1983 the University was accorded full university status.

2. Other private institutions in Europe include a few religiously affiliated institutions in France and Italy as well as plans for a private medical school, the International University in West Germany. In 1984, the World Institute for World Economics was established in Kiel and commenced offering postgraduate courses in international economics. Like Buckingham, however, these developments are peripheral to the much larger public sectors of these nations.

3. Philippino private institutions range from the low quality to high standard. An example of a high quality private Philippino institution is the Asian Institute of Management (AIM), a graduate school of business administration. Its existence was consolidated through a Ford Foundation grant, substantial corporate support, USAID assistance, a grant from the Philippino government and the mobilisation of business and voluntary support. AIM operates some for-
profit management courses which subsidise its regular degree courses (Roth, 1987:46-7).

4. During the 1960s a number of urban private universities of this type (Houston, Kansas City, Buffalo, Pittsburgh and Temple) went from private to public control, in the main, because there was no reason to remain private or independent. Given the absence of any compelling rationale for independence in these cases, joining the public sector promised rapid growth, improved facilities, higher salaries across the board and an end (at least so it seemed then) to chronic financial difficulties (Geiger, 1986:230). Where private institutions did not have strong religious affiliations or research interests "requiring independence", municipal or private universities have been incorporated into state systems.

5. The Seventh Day Adventist College, Avondale CAE, dates from 1897. Originally established for the training of pastors it has expanded into teacher education. Fees account for 45% of funding while 37% comes from the Church, investments, the bookshop and so forth, and another 18% from the government (Walker, 1987:6-7). Similarly, Marcus Oldham College of Farm Management and Australian Administrative Staff College are non-profit.

6. Representatives of the Thomas Peel College held discussions with WAIT administration and the Director, Don Watts on one occasion regarding a joint venture. WAIT's conditions of involvement in the venture were stated and the party did not return to further negotiations.

7. Some of the developers have reputedly turned their attention to other educational activities such as the Perth Finishing College, a private matriculation college for overseas students.

8. Information available about private higher education from developers is frequently limited to that released to the media. Several private developers declined to provide me with details of their ventures wishing to keep their activities confidential. Bond University, by comparison, has provided a welter of information.

9. There have been suggestions for an Australian International Christian University to be created out of the Catholic College of Education in Sydney, but there has not been an official announcement as yet (Australian, 18.5.1988:15).

10. The former Queensland Minister for Education, Linn Powell, himself a fundamentalist Christian, was a strong supporter. Since the demise of Joh Bjelke-Petersen, however, he was removed from the education portfolio. Discussions with state and federal education officials revealed that this proposal has not been taken seriously and has not been given much hope of success.
11. University status is important in attracting overseas students. In general, overseas students are seeking a high quality credential. A university degree has higher social cachet and economic value than a college award.

12. Edwards Business College has had previous marketing experience with overseas students in its business and secretarial courses claiming to have brought in, between 1980 and 1985, over $3 million as well as further tourism spin offs from relatives visiting overseas students.

13. Since 1986 the college has marketed matriculation courses to FFP overseas students and is a potential feeder institution for the AIBT. In the first semester of 1988, AIBT attracted 40 full time students, two thirds of whom had matriculated from Australian institutions.

14. NRCAE is a small multi-purpose college experiencing acute staffing problems, substandard accommodation subject to flooding and inadequate library resources with the outcome that courses tended to be overloaded by formal class room activity rather than independent study. Recently, the NRCAE has experienced a marked upturn in demand, severely taxing limited resources. The College was not accorded sufficient CTEC funds to meet resource needs (Treyvaud, 1987:90-93).

15. An agreement was signed between the Academy and Norsearch, the NRCAE consultancy company, that vested education control with the NRCAE and financial obligation with Hixson Pty Ltd. The Academy would function as an independent corporate identity but under the direction of an Advisory Board of Management with representatives from the College, other education institutions and the developers. The Academy leases the site from Hixson Holdings and teaching buildings are leased to Norsearch for a peppercorn rent.

16. Conditions of the NRCAE

1. The site of the Academy be zoned for educational purposes only to ensure that the developers could not use the facilities or site for pure tourist purposes,
2. NRCAE maintain complete control over the programs of study on offer,
3. A minimum of 200 residential units be made available to NRCAE at charges no greater than those levied in similar college owned accommodation.
4. Under the State Grants Act the college cannot divert funds away from accredited programs, therefore, the NRCAE would not accept any financial obligations for any capital or recurrent outlays associated with the private campus. However, a fee (maximum $10 000) would be paid as maintenance for facilities used by staff and students.
5. Priority would be given to NRCAE to conduct adult and continuing education courses.

6. Approval of both state and federal governments must be acquired.

7. Provision for disadvantaged groups must be forthcoming, that is, some scholarships for students from low income backgrounds, an on campus office and retail outlet for the North Coast Institute for Aboriginal Community Education.

8. Any services provided by NRCAE shall be charged at agreed commercial rates through the NRCAE commercial company, Norsearch.

17. Short term adult and continuing education courses do not require either state or federal approval leading critics to fear that lack of any form of regulation will undermine standards. The project is also to be built next to a nature reserve and environmentalists fear that the Broken Head Reserve could not cope with an influx of Academy students.

18. Sunway has twinned with Leicester University in the UK to provide engineering degrees, and West Michigan for the provision of science degrees (interview, Yacopetti, 1987). RMIT is involved in a similar venture with Taylors College in Malaysia. The Mara Institute of Technology in Malaysia conducts a similar arrangement with seven mid western universities in the USA.

19. Approximately 60% of the Malaysian population is Malay, 30% Chinese and 10% Indian. The urban Chinese tend to dominate the economy and have prospered as a racial group compared to the predominantly rural Malay population. Malays, however, dominate the political scene and have sought reforms to improve economic circumstances of Malays or Bumiputera. Education has played a critical role. Malay language has been instituted as the language of instruction and a process of positive discrimination is pursued in Malaysia's seven universities.

20. Lady Mary Fairfax had previously approached Harvard University some years ago but Harvard declined involvement. Some on faculty at Rochester are keen about the venture but others see "serious control issues emerging, a dilution of faculty and a spreading around three campuses of what adds up to only eight or nine distinguished professors" (Economic Concepts, 1987). Rochester has another campus in Holland.

21. Another critic has pointed to the dangers of academic enterprise becoming too closely associated with the world of business. Apparently, in 1987, the dean of the William E Simon School at Rochester, rescinded the enrolment of Tfuno Sakai, an employee of the Fuji Photo Film, in response to objections of officials of Eastman Kodak that he would be sharing classes with Kodak employees. According to the Dean, Mr Sakai had been excluded "to avert the severe problems that would ensue if Kodak withdrew up to 230 students a year that it sends to
various programs of the Simon School". The decision was reversed but the "integrity of the university" was "compromised" in order to accommodate an influential corporate sponsor (Australian, 24.2.1988:16).

22. Some of the key players in the Tasman University (Economic Concepts, 1987).

**Interim Board**

- Sir Ron Trotter (Chairman) Fletcher Challenge
- Peter Chew, Exec Director, Downstream Oil and Chemicals, Shell
- Michael Porter, Director, Centre for Policy Studies.
- Ray Evans
- Richard Pratt, Chairman, Pratt Holdings.

**Sponsors**

- Interim Board Members
  - Will Bailey, Manager, ANZ Bank
  - John Elliot, Chairman, Elders IXL; President, Liberal Party.
  - Brian Hamley, General Manager, Group Prudential Management, National Australia Bank
  - Hugh Morgan, Managing Director, Western Mining Corporation.

**Proposed Staff**

- William Baumol (Princeton)  Ted Bergstrom (Michigan)
- W. Brock (Wisconsin)  John Bilson (Chicago Corp.)
- Lord Harris of High Cross (Institute of Economic Affairs, UK).
- Bob Haveman, (Wisconsin)  Max Hartwell, (Virginia-Chicago)
- Michael Levine (Yale)  Ken Minogue (LSE)
- Sherwin Rosen (Chicago)  John Rust (Michigan)
- Myron Scholes (Stanford)  Jose Scheinkman (Goldman Sachs)
- Hal Varian (Michigan)  Gene Smolensky (Michigan)

23. The Tasman University will be comprised of a Board of Directors, the Chairman of which will also be the Chancellor. In addition there will be a visitorial Council of world famous scholars with the role of reporting on academic standards and, if necessary, adjudicating in intellectual disputes. The individual schools will have their own boards with a majority of directors from the University but with remainder nominated by equity holders in each school. The Schools in turn, will have the ability to form profit making centres and joint ventures with qualified staff. The Melbourne School of Economics, for example, will have a controlling interest in the Centre of International Business Finance, a Centre for Economic Research and a Centre for Executive Development. These profit making centres will, according to the feasibility study, allow academics to accrue considerable personal wealth.

24. The projections for the Tasman University were based on Centre for Policy Studies
experience in consultancy work. The feasibility study projections indicated that with one hundred full time and one hundred part-time students, the Tasman University would more than break even. Teaching income would be $3.75 million and salary costs around $2 million with $1 million for other costs. Net research and consulting income would add another $500,000 to the surplus. Graduate courses in economics, business, computing and information sciences have been targeted as immediate market opportunities.

25. The half-hearted criticism of the Bond University by the AVCC is reputedly a consequence of a number of Vice Chancellors applying for the position of President and Vice Chancellor of the Bond University.

26. In the early 1970s the federal government had investigated the concept after the state government had expressed the need in the rapidly growing region. Funding was denied at that time and again in 1984. By 1985 it was apparent the federal government did not have the funds to build a university although it had earmarked funds to establish the Gold Coast CAE. As part of the federal investigation in 1983-84, JoAnne Cracknell (one of the local pressure group and subsequently Public Affairs Officer for the Bond University) assembled information from the USA to explore the feasibility of a private university. Research continued locally until 1986 when JoAnne Cracknell was introduced to Brian Orr, an agent for Bond Corporation

27. The University plan incorporates a separate research park. It is envisaged that academic staff will provide consultancy services and students will be encouraged to participate in post graduate research and undergraduate internship programs. Amongst other things, the park will seek to develop excellence in areas such as information technology and computer science, micro-electronics, robotics, computer assisted design and manufacture, biochemistry, biotechnology and materials science. The objective is to attract private companies to establish research activities in the park. In all likelihood, the park will be eligible for offset acquittal under the Australian Government Offsets program. Additionally, many private companies involved with the research park will be able to claim the 150% R&D tax deduction.

28. E.I.E has interests in the Chukyo Women's University, the Osaka University of Commerce and the Sapporo University. E.I.E. is matching the Bond Corporation by providing $30 million to the campus venture.

29. The Bond University contacted the public higher education institutions asking for a representative to sit on the Advisory Council.

Colin Masters Pro Vice Chancellor, Griffith
Ralph Parsons Deputy Vice Chancellor University of Queensland
Representatives of the Bond Corporation and E.I.E were also on the Advisory Council. A permanent Council was established in early 1988.

30. Originally the venture was to be known as the Bond University of Applied Technology. However, the planners took a conscious decision to drop the last two words in order to develop the image of a university immersed in the liberal scholastic tradition.

31. Watts has publicly stated that he does not see a legitimate role of staff associations in academic decision making. FAUSA, while agreeing there were some areas not of concern, believed associations had a role "in defining areas such as the conditions under which people were appointed and promoted and the conditions governing their day to day working environment" (*Australian*, 9. 8.1987) which are industrial issues. FAUSA is challenging the Bond University over representation of staff in the Commonwealth Arbitration Commission, the Bond University's rejection of tenure, its procedures for termination of employment (the university has reserved the right to dismiss summarily any staff member incapable of performing duties, for serious misconduct or where a course is no longer commercially viable) and maternity leave provisions.

32. More than half the 800 registrations of interest in the Bond University have come from the Gold Coast - Northern NSW region. Of this group, 200 have been offered places but only 50 students have accepted and paid the deposit. The first semester target was 500 students but projections have been adjusted to 350 (*AFR* 22.12.1988). As noted earlier, the estimated 20,000 students who have not been able to get into higher education is not uncontested. The pool of unmet demand could be smaller and, furthermore, may shrink over time.

33. In February 1988, the AVCC devised a new category of membership for new private institutions and the upgrading of many institutes to universities. Aside from voting rights, the new category carries full rights. The AVCC was not prepared to allow full membership to the Bond University until after the University had courses and students set up for the AVCC to make an assessment of its standards and facilities.

34. Since negotiations have commenced with the University of New England to amalgamate with NRCAE into a larger institution, as encouraged by the White Paper, there has been further
criticism within the University of New England on the advisability of the NRCAE entering the Cape Byron venture

Chapter Five.

1. The AEC guidelines for joint venture arrangements with private institutions are to varying extent already employed in the agreements between AIBT and Curtin, ICMS and Murdoch, and Cape Byron International Academy and NRCAE
   a) hybrid proposals to be approved by both state and Commonwealth Governments,
   b) the academic board of the hybrid institution to comprise a minimum of 1/3 of representatives from the validating institution,
   c) courses should fit in with the academic profile of the validating institution with study leading to the issue of an award from the validating institution;
   d) the academic board of the hybrid institution is to have responsibility for staff appointments,
   e) no Commonwealth funds can be used directly or indirectly to support the hybrid institution,
   f) the validating institution to make provision for withdrawal in the event of unsatisfactory activities in the hybrid institution (McCulloch & Nicholls, 1987).

2. The unions were not satisfied with these provisions and argued that the safeguards needed to be strengthened and formally endorsed (see McCulloch & Nicholls, 1986). The proposed union amendments would have given the private sponsor control only in relation to financial matters and future expansion. In their response to the Green Paper, the unions provided further guidelines regarding the export of education services, and private financing and participation in higher education (FAUSA/FCA, 1988).

3. Non government business colleges and/or their staff will be able to compete for research grants and other contract research and teaching activities funded by the government. The Australian Traineeship Scheme is a system of structured vocational preparation and apprenticeship opportunities for young people.

4. In 1988, the Higher Education Round Table commissioned a study into the electoral implications of the introduction of a graduate tax. The McNair Anderson opinion poll found of 2156 people found that among the total sample 71% disagreed with a the concept of a special tax after completion of studies; 22% agreed and 7% did not know. The poll found that the issue of fees and a tax sufficiently important for 26% of the sample to change their vote, more so among 18 - 24 year olds (34.1%).
5. The Northern Territory created and intended to fund its own university, the Western Australian government has spent $7 million on a new tertiary campus at Bunbury and the Victorian Government has funded an additional 1500 tertiary places and created an Education Foundation financed by pay roll tax. Victorian employers are given the choice of paying 6% pay roll tax or 0.9% pay roll tax with the remainder paid into the Foundation. In addition, employers are expected to be involved in deciding expenditure priorities of the fund.

6. A recent survey by Don Anderson, a sociologist at the Australian National University, has confirmed that parents associate private schooling with higher quality and better life chances for their children (Canberra Times, 30.10.1988).

7. Bond University has reputedly also developed institutional links with major west coast private institutions in the USA.

8. The Bond University study was not made available, however, various interviews have confirmed this statement.

9. The scheme initially, faced problems of a federal nature. All but one of the states were prepared to join the scheme. The NSW minister, Dr Metherall (Lib) rejected the proposal on the grounds that it would be the "most extraordinary extension of bureaucratic involvement into private enterprise". He foresaw enormous costs in state governments inspecting premises and courses on offer. He also objected to the proposal that States establish a Trust fund to compensate overseas students dissatisfied with their courses on the grounds that no compensation scheme is made available to Australian students (Sydney Morning Herald, 24.6.1988). The NSW Government has since rescinded and has established an Education Exports Advisory Council to assist private and public institutions entering the market.
APPENDICES.

Appendix 1.1.

Timeline of Major Developments in Australian Higher Education.

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal Govt</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940</td>
<td>UAP-CP</td>
<td>Commonwealth Technical Training Scheme established.</td>
</tr>
<tr>
<td>1941</td>
<td></td>
<td>Repatriation Tentative Training Scheme established.</td>
</tr>
<tr>
<td>1943</td>
<td>Labor</td>
<td>Interdepartmental Committee on Education (Walker Committee) established. Universities Council established</td>
</tr>
<tr>
<td>1945</td>
<td></td>
<td>Education Act legislating for the Universities Commission and the Commonwealth Office of Education.</td>
</tr>
<tr>
<td>1946</td>
<td></td>
<td>Sect. 51 xxiiiA ammendment to the Constitution to allow provision of financial assistance to university students.</td>
</tr>
<tr>
<td>1950</td>
<td>Lib-CP</td>
<td>Appointment of Mills Committee to report in the financial position of universities.</td>
</tr>
<tr>
<td>1951</td>
<td></td>
<td>Commonwealth Universities Scholarship Scheme established. State Grants (Universities) Act providing matching funds as states.</td>
</tr>
<tr>
<td>1959</td>
<td></td>
<td>Australian Universities Commission established as statutory body.</td>
</tr>
<tr>
<td>1965</td>
<td></td>
<td>Commonwealth Advisory Committee on Advanced Education established First Commonwealth Grants to the states for CAEs. Australian Research Grants Committee established</td>
</tr>
<tr>
<td>1966</td>
<td></td>
<td>Commonwealth Department of Education and Science established.</td>
</tr>
<tr>
<td>1971</td>
<td></td>
<td>Commission on Advanced Education established.</td>
</tr>
<tr>
<td>1973</td>
<td>Labor</td>
<td>Karmel Report Schools Commission established Australian Committee on Technical and Further Education.</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
<td></td>
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<tr>
<td>------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>1974</td>
<td>Commonwealth assumed recurrent and capital funding of all universities and CAEs. Abolition of tuition fees in universities, CAEs and TAFE colleges.</td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>TAFE Commission established. Hayden budget - triennial system of funding temporarily abandoned.</td>
<td></td>
</tr>
<tr>
<td>1976</td>
<td>Lib - NCP Reinstatement of triennial funding on a &quot;rolling basis&quot;. Appointment of Committee of Inquiry into Education and Training.</td>
<td></td>
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<tr>
<td>1979</td>
<td>Williams Report tabled. OSC introduced.</td>
<td></td>
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<tr>
<td>1981</td>
<td>Lynch Razor Gang recommendations Amalgamations</td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td>Labor Goldring and Jackson Reports.</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>Education Mission to Southeast Asia and Hong Kong (Tease Report) Announcement of first proposed private higher education institution in Australia - Yanchep International Campus</td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>Overseas Student Policy announced Commencement of Full Fee Paying programs of study for overseas students.</td>
<td></td>
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<tr>
<td>1987</td>
<td>Higher Education Administrative charge imposed Formation of superdepartment of Employment, Education and Training Green Paper</td>
<td></td>
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<tr>
<td>1988</td>
<td>Wran Report White Paper NBEET created AIBT, first private higher education institution, opens</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>First intake of Bond University undergraduates. First intake of ICMS undergraduates. Abolition of HEAC and introduction of the graduate tax.</td>
<td></td>
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</tbody>
</table>

Appendix 3.1.


<table>
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<th></th>
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<tbody>
<tr>
<td>Non-medical undergraduate</td>
<td>1500</td>
<td>1700</td>
<td>1850</td>
<td>2150</td>
<td>2500</td>
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<tr>
<td>Medical, dental veterinary</td>
<td>2000</td>
<td>2200</td>
<td>2350</td>
<td>2700</td>
<td>3100</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>2500</td>
<td>2500</td>
<td>2500</td>
<td>2900</td>
<td>3350</td>
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</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>New Students</th>
<th>Continuing Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>All medical, dental veterinary</td>
<td>4340</td>
<td>5506</td>
</tr>
<tr>
<td>All other undergraduate or postgraduate</td>
<td>3500</td>
<td>4650</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinical courses commenced before 1.1.1986</td>
<td>4193</td>
</tr>
<tr>
<td>Other courses commenced before 1.1.1986</td>
<td>3400</td>
</tr>
<tr>
<td>Clinical courses commenced after 1.1.1986</td>
<td>5736</td>
</tr>
<tr>
<td>Other courses commenced after 1.1.1986</td>
<td>4896</td>
</tr>
<tr>
<td>Clinical courses commencing after 1.1.1988</td>
<td>6890</td>
</tr>
<tr>
<td>Other courses commencing after 1.1.1988</td>
<td>6500</td>
</tr>
</tbody>
</table>

Appendix 3.2.

Guidelines for Full Fee Paying Overseas Students in Courses provided by Commonwealth Funded Higher Education Institutions.

MAINSTREAM COURSES DELIVERED IN AUSTRALIA

Mainstream courses are those award courses which are provided for Australian students and include award courses offered by external mode, all servicing of which is provided from Australia.

1. Safeguards for Australian students and subsidised overseas students.

No course-place offering shall directly or indirectly prevent or displace an Australian or subsidised overseas student who would otherwise be eligible to study in such courses at the institution. To this end, institutions:

(i) May enrol full fee students in existing courses where places could not be filled by qualified Australian applicants or the quota of subsidised overseas students;

(ii) May conduct extra courses or increase enrolments in existing courses for full fee overseas students where the capacity exists or could be developed. (If facilities which have been provided through normal higher education funding arrangements are subsequently required to accommodate growth in Australian students, institutions may need to make alternative arrangements to continue to provide places for full fee students);

(iii) May contract out courses for delivery outside the institution.

2. Academic Standards.

Institutions are to ensure that comparable academic standards apply to courses conducted for full fee paying overseas students as currently apply to like or similar courses conducted at that institution.


Institutions and/or sponsors will be responsible for aspects of students' services including welfare, counselling and emergency finance where necessary.

4. Conditions of Entry and Stay.

The same condition as apply to entry and stay of overseas students will also apply to full fee overseas students with the exception that:

(i) Students will apply to institutions, who will advise the Overseas Student Office (OSO) of the Commonwealth Department of Education of successful application. OSO will advise overseas posts (or local Department of Immigration and Ethnic Affairs office where appropriate) so that procedures leading to visa issue can be implemented;

(ii) Institutions will be required to advise the OSO when students complete their study or if they discontinue study.

5. Charging Fees.

The principles against which fees should be determined are as follows:

(i) institutions should charge, as a minimum, fees designed to recover full economic costs having regard to both recurrent services, equipment and capital facilities applicable to the course on offer.

(ii) Full average costs rather than marginal costs should be the basis for determining fees even if extra places can be provided at the margin at little or no extra cost. The fee should, therefore, be assessed on the full costs of the
course in question divided by the number of places (including the extra places).

(iii) In assessing the full recurrent costs account should be taken of not only directly associated staff costs and the like but also overheads (e.g. utilities, rent, marketing costs) and common service costs (e.g. libraries, student counsellors).

(iv) In assessing capital costs for fee calculation purposes, the current average cost per place of providing capital facilities for the course in question should be determined by the institutions in consultation with CTEC. An appropriate amortisation should then be computed for inclusion in the fee together with assessed full recurrent costs. (As a guide, capital facilities might be amortised over forty years at an assumed interest rate of ten percent per annum).

(v) Capital would not be taken into account where the necessary capital facilities are provided by sponsors.

(vi) For particular courses, institutions may choose to charge fees at less than full average costs provided the difference between the fees collected and full average costs for these courses are recouped by surpluses on other courses for which fees in excess of full average costs are charged.

6. Finance and Accounting Arrangements.

(i) CTEC funds and other institution funds that are available for general recurrent purposes may not be used either directly or indirectly for the purpose of establishing, maintaining or subsidising the operation of courses - enrolments for full fee overseas students or for underwriting losses incurred in the operation of such courses.

(ii) Subject to 6(iii) below, revenue from fees will be retained by institutions on the basis that after direct costs are met any surplus is applied to the education activities of the institution. Any such surplus could also be applied to major capital developments at the institution with the approval of CTEC.

(iii) Where capital facilities that have been wholly or partially funded under Government major works programs are used for the delivery of courses, the relevant capital element of the fees as calculated in accordance with 5(iv) above will be payable to CTEC. *

(iv) Institutions will be responsible for any cash deficit - losses on the operation of courses. The Commonwealth will accept no responsibility in this regard.

7. Accounting Requirements.

(i) Institutions will be required to certify to CTEC that condition 6(i) will be met before students will be admitted to courses.

(ii) Institutions are required to maintain separate financial accounts for all transactions associated with courses - enrolments for overseas students.

(iii) Institutions are to make available such details relating to the financial and accounting records of full fee overseas student course operations as CTEC may request.

8. General.

The OSO will establish a register of all course offerings under these arrangements.

***************

Similar conditions apply to offshore and non-mainstream courses.

* Institutions are no longer required to provide CTEC, and now DEET, with the capital component.
Appendix 3.3.

Revenue Generation from Full Fee overseas Students.

In June 1987, Austrade had 84 education industry subscribers. This represented approximately 90% of the total exporters in the education and training sector. An Austrade survey of its education and training clients in 1987 produced the following results.

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>$A EARNINGS</th>
<th>STUDENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tertiary</td>
<td>$4 260 925</td>
<td>605</td>
</tr>
<tr>
<td>Secondary</td>
<td>$3 918 980</td>
<td>765</td>
</tr>
<tr>
<td>English language Teaching</td>
<td>$14 178 988</td>
<td>7 343</td>
</tr>
<tr>
<td>Commercial-Secretarial</td>
<td>$4 257 895</td>
<td>941</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$26 615 895</td>
<td>9 654</td>
</tr>
</tbody>
</table>

This result does include the earnings of foreign exchange currency deriving from living costs (approximately an additional $25 million), earnings by Qantas via inbound and outbound flights of students, their friends and family.

Source: Austrade (1987:4)
Appendix 3.4.

Repayment requirements of graduate tax at different levels of taxable income.

<table>
<thead>
<tr>
<th>Taxable income ($)</th>
<th>Proportion for repayment (%)</th>
<th>Annual payment ($)</th>
<th>Weekly equivalent ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 000</td>
<td>1</td>
<td>220</td>
<td>4.23</td>
</tr>
<tr>
<td>23 000</td>
<td>2</td>
<td>230</td>
<td>4.42</td>
</tr>
<tr>
<td>24 000</td>
<td>2</td>
<td>240</td>
<td>4.62</td>
</tr>
<tr>
<td>25 000</td>
<td>2</td>
<td>500</td>
<td>9.62</td>
</tr>
<tr>
<td>26 000</td>
<td>2</td>
<td>520</td>
<td>10.00</td>
</tr>
<tr>
<td>27 000</td>
<td>2</td>
<td>540</td>
<td>10.39</td>
</tr>
<tr>
<td>28 000</td>
<td>2</td>
<td>560</td>
<td>10.77</td>
</tr>
<tr>
<td>29 000</td>
<td>2</td>
<td>580</td>
<td>11.15</td>
</tr>
<tr>
<td>30 000</td>
<td>2</td>
<td>600</td>
<td>11.54</td>
</tr>
<tr>
<td>31 000</td>
<td>2</td>
<td>620</td>
<td>11.92</td>
</tr>
<tr>
<td>32 000</td>
<td>2</td>
<td>640</td>
<td>12.31</td>
</tr>
<tr>
<td>33 000</td>
<td>2</td>
<td>660</td>
<td>12.69</td>
</tr>
<tr>
<td>34 000</td>
<td>2</td>
<td>680</td>
<td>13.08</td>
</tr>
<tr>
<td>35 000</td>
<td>3</td>
<td>1050</td>
<td>20.19</td>
</tr>
<tr>
<td>36 000</td>
<td>3</td>
<td>1080</td>
<td>20.77</td>
</tr>
<tr>
<td>37 000</td>
<td>3</td>
<td>1110</td>
<td>21.35</td>
</tr>
<tr>
<td>38 000</td>
<td>3</td>
<td>1140</td>
<td>21.92</td>
</tr>
<tr>
<td>39 000</td>
<td>3</td>
<td>1170</td>
<td>22.50</td>
</tr>
<tr>
<td>40 000</td>
<td>3</td>
<td>1200</td>
<td>23.08</td>
</tr>
</tbody>
</table>


A Higher Education Trust Fund will be established to receive all funds raised through HECS and will operate as follows. The Commonwealth will make explicit payments equal to about 29 percent of total funding directly to higher education institutions each semester to fully discharge students' course charge liabilities. The Trust Fund will be financed in part from payments made by students under HECS and in part from a reallocation of general operating grants for higher education. The remaining 80 percent of total funding will continue to be paid under States Grants arrangements.
## Appendix 4.1.

% Country of Origin of Full Fee Students.

<table>
<thead>
<tr>
<th>Country</th>
<th>Formal</th>
<th>Non-Formal</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>45.5%</td>
<td>4.0%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>11.0%</td>
<td>9.4%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.4%</td>
<td>3.7%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>9.0%</td>
<td>4.1%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Singaproe</td>
<td>27.0%</td>
<td>2.1%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Korea</td>
<td>0.1%</td>
<td>13.2%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Japan</td>
<td>0.9%</td>
<td>26.5%</td>
<td>22.5%</td>
</tr>
<tr>
<td>China</td>
<td>0.2%</td>
<td>17.0%</td>
<td>14.8%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>0.3%</td>
<td>2.0%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Other - Unspecified</td>
<td>4.6%</td>
<td>18.0%</td>
<td>15.8%</td>
</tr>
</tbody>
</table>

Formal = Tertiary and secondary  
Non-Formal = English language training and commercial - secretarial

Appendix 4.2.

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