I am currently a Chair of Department and an Acting Head of School at a Go8 university. As a researcher I have also published several articles that consider the marketization of higher education. I welcome this opportunity to reflect on the future of the Australian sector.

The review will no doubt generate a great number and wide range of ideas. However, this submission revolves around one main point: that none of those would matter unless funding formulas move towards fair prices based on the actual costs of activity.

For too long higher education has been funded in line with hypotheticals influenced by once fashionable thinking like agency theory and public choice theory. The myths boil down to the idea that if higher education activity is systematically underfunded via a quasi market in which a funding government holds the exclusive power to set prices and rules (very much unlike a real market) universities will maximise their efficiency so as to 'deliver' better outcomes with fewer resources.

Unfortunately, this remains pure myth. As the panel will be aware, many studies have shown that every dollar invested in higher education regardless of source leads to several additional dollars created down the line in economic activity. Yet Australian government funding of higher education is at a record low and for large parts of recent decades it was the lowest in the OECD. Talk about un-evidence based policy.

However, while federal funding urgently needs to be increased overall and in every dimension, the Commonwealth should do so by making funding formulas allocate the resources required to undertake activities well.

This is not only for the obvious reason you get what you pay for, but actually because 'activity based underfunding' creates distorting market signals that lead to dysfunctional management strategies, not efficiency. It puts public service managers into the improbable position of trying to (or worse, pretending to) conjure up better outcomes with fewer resources. It leads to deficient management strategies inimical to the true aims of higher education to cultivate the advanced knowledge upon which successful societies thrive and educate populations accordingly.

For instance federal funding of domestic HDR students is so low it is a loss making activity for many institutions that have world-class supervision from leading experts available. So they endlessly try to rationalise their HDR offering through cost saving restructures that are actually expensive in terms of worker and manager time required and create all kinds of process compromises or restricted access to HDR training. The alternative would simply be to fund HDR training places at fair prices.

Similar perverse effects are evident in the funding of domestic undergraduate places. Much education of domestic undergraduates is loss making or compromised in terms of quality, and universities simply try to grow operations to achieve economies of scale where unit costs of teaching are lowered by creating diminished mass education experiences. No PR or marketing ever says this. But ironically spending hundreds of millions a year on marketing to get the requisite bums on the seats is one of the perverse effects of this compromised approach to education, when that money could be spent on educating. And unfortunately many of those persuaded drop out or enter via questionable schemes like 'early entry', while the scramble for economies of scale strains infrastructure to breaking point - as unsurprisingly capital works are not properly funded and are often instead paid for by the same delusory pursuit of economies of scale.

Of course some do well--and our sector is generally kept afloat--not by federal funding but by cross-subsidies from lucrative international student enrolments. But many of those students receive less attention than is fair for their fees as a result, despite the importance of international students to Australia's workforce and future. However, the cross-subsidy does not go towards educating domestic students but research, because research activity is underfunded by government. Research grants do not cover the true costs of research, yet the additional funds they win for institutions later means universities put insane levels of focus on academics applying for them all the time, regardless of whether needed. Thus we have a system where every year thousands of academics waste time that could be used to produce an article on rejected grant applications. Around half of them have merit and deserve funding. Around half should never have been submitted. Meanwhile universities make rash decisions about which staff can maintain their research careers, leading to long-term compromises in Australia's culture of research and innovation.

The list goes on. Student support is one of the most neglected areas. Many opine students not preparing for class. How many admit that most work, 20% work over 20 hours a week, and 10% work over 30 hours a week to make ends meet?

So please consider this request to place fair funding rates and formulas at the heart of any reforms. Even just start with simple increases above inflation of a few hundred dollars per year per student, followed by the thousands needed when budgets allow. Real terms, per capita, per unit funding increases are needed for Australian higher education, not just system expansion.  We will be less perverse for it and we are well placed to become the best publicly funded sector in the world.