# Submission on the interim report on the University Accord process

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## Background

1. I am a health economist with expertise in the economics of hospital care, including pricing of hospital care. I was responsible for the design and implementation of activity-based funding for public hospitals in Victoria in the mid-1990s, and then advised the Independent Hospital Pricing Authority (as it then was) on the design of the new Australian arrangements.
2. I have also had an academic and academic management career at the University New South Wales and Latrobe University. In the course of that, I undertook professional development in higher education, firstly earning a Graduate Diploma in Tertiary Education in the 1970s when that was not the norm, and then a Doctor of Business Administration in higher education management earlier this century when I was at Latrobe University.
3. I am currently Deputy Chancellor of RMIT University. For a number of years, I was the only member of the University council with an academic background who was not employed by the University. The thoughts here are my own and not those of the university.

The need to clarify relationships.

1. The current relationship between government and universities is very confused, to the detriment of accountability and policy implementation.
2. Economics ‘Nobel’ Laureate Oliver Williamson. identified two main forms of relationships between and within firms: markets and hierarchies. The government-university relationship is a muddle of both, getting the benefits of neither.
3. Creation of a new Tertiary Education Commission – which I support – provides an opportunity to revisit the relationship, and hopefully provide a new clearer and simpler basis. There will only be benefits of a new relationship if there is clear thinking about the Commission’s role and *modus operandi* in advance of its establishment. Clarity of role should also be accompanied by, and reflect, clarity of views on the extent of university autonomy.
4. **I recommend that the Accord Panel’s final report should provide clarity about role and *modus operandi* of the new Commission.**
5. The interim report seems to adopt an implicit ‘hierarchy’ approach to the government (Commission)- university relationship, whereas I think the espoused objectives could better be achieved with a quasi-market model.
6. The Commission should have a clear charter from government setting out the objectives government wants to achieve.
7. It is important that the Commission covers the full scope of tertiary education, that is both higher education (universities) and vocational education. In my view the participation goal articulated in the Interim Report will require a significant expansion of vocational education provided bachelor degrees and so it is important that policy in the two sectors is harmonised.
8. Mission-based compacts should be developed for all vocational education providers who offer bachelor degrees. Commonwealth and student loan funding, including Commonwealth Supported Places paid at the same rate as universities, should be available to these institutions.
9. Over the medium term it would be desirable for the Commonwealth to assume full funding responsibility for vocational education, but this may be proposed as a second stage reform, given the complex Commonwealth-state issues involved in this change.
10. As mentioned above, the Commission should, as far as possible, avoid a hierarchical relationship with universities, rather the Commission should specify broad parameters within which universities have autonomy and create incentives to which universities respond. As another economics ‘Nobel’ Laureate, Jan Tinbergen, pointed out, for every objective one needs a separate instrument. A system of price incentives could be incorporated into a new funding model – principally applying on providers rather than consumers - and in this way the Commission-University relationship would become more market-like rather than hierarchy.
11. Hierarchical relationships are characterised by directions and a myriad of input-oriented programs – a former head of the Department of Prime Minister and Cabinet, Terry Moran, likened this approach to ‘programmatic confetti’. These programs are designed to achieve tightly defined objectives through relatively small grants, with each grant having its own reporting arrangements. This reporting burden is cumulative and significant, leading to inefficiency in university administration. Despite this smorgasbord of small programs, the problems that they are meant to address remain, and yet there has been no fundamental rethink of this (failed) approach to trying to achieve national objectives.
12. I support the proposal that the Commission should function as a pricing authority. It should be empowered to collect cost data from universities and other funded higher education institutions and degree=-awarding vocational education providers in the same way that the Independent Hospital and Aged Care Pricing Authority does.
13. As an aside, pricing for many health courses will need to be revised to take account of the costs of placements (including that health institutions are increasingly charging for placements). Government funding to educational providers for placements, and educational provider funding to health facilities need to be taken into account (and harmonised with) decisions of the Independent Hospital and Aged Care Pricing Authority (IHACPA) on pricing of teaching and training in health facilities.
14. Pricing of public hospital services takes into account the different costs of providing services to particular groups, including First Nations Australians. There is a loading on the price for public hospital services provided to First Nations Australians.
15. Rather than separate, special, small grants to encourage universities to achieve equity, and to recognise the additional costs of providing services to equity groups, the Commission could similarly provide a price loading for these groups.
16. In the first instance the loading could simply reflect the cost of provision as reflected in the cost data collection. But the Commission might also titrate the loading normatively to provide a greater incentive on universities to respond to the equity goal if necessary.
17. Pricing signals on universities could replace many, if not all, of the small programs. This approach would give universities more freedom to manage their own institution and reduce the reporting burden as payments would be made based on existing student data collections.
18. However, I suspect simple IHACPA-like price signals may not be enough and mission-based compacts should signal tougher price consequences for failure to address equity targets.
19. All universities, including GO8 universities, should be expected to meet equity targets. The GO8, in particular, seems to be a laggard in this domain.
20. Equity targets should also be specified at the discipline level, so that, say, 25% of students enrolled in medicine, for example, should be low socio-economic status enrolees. This would help address a significant health system workforce issue.
21. Universities which do not meet equity targets should suffer significant financial penalties.
22. Specifically, funding caps should be imposed so if, over a five-year period, universities do not meet the agreed targets, there would be a significant impact on their budgets. For example, if the objective is to achieve 20% equity enrolment, the total number of funded students in the university might be kept at four times the number of students meeting the equity definition, so that the equity proportion is 20% of the funded enrolment. This would certainly gain the attention of University administrations and get them to address the issue. (By funded students here I mean students in receipt of the Commonwealth component of funding. Universities could continue to enrol additional students if they are prepared to do so based on the student contribution alone).

Council composition.

1. I agree with the importance of ensuring Councils have a significant proportion of independent members with higher education industry experience.
2. In other boards, I have implemented a ‘skills, experience, and diversity’ matrix, rather than a simple ‘skills’ matrix, to highlight the importance of where skills and abilities are obtained.
3. I do not accept that skills are totally generic, and that skills developed in any industry can be applied in universities easily. Certainly, for example, commercial law skills have some place on university councils, but members are required to contribute to all the business of councils not just their area of expertise. The addition of ‘experience’ in the appointment matrix highlights that what is important is where the relevant skills are obtained.
4. Increasing the proportion of council members with academic or academic management experience will not be easy. Appointees from within an institution will have inherent conflicts of interest on many items considered by Councils. Care needs to be taken in appointing academics from other institutions that are in the same state or in the same industry group, as there may also be a conflict of interest, especially as one would be seeking to appoint people with a strategic orientation rather than looking for people with experience as academics. These conflict of interest issues will significantly reduce the pool of appropriately qualified applicants to draw on.
5. I would be happy to elaborate on any of these points.  
     
   Stephen Duckett

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