



REVIEW OF AUSTRALIAN HIGHER EDUCATION SUBMISSION

INTRODUCTION

This submission reflects a Departmental perspective on key issues and expands on discussions with the Review Panel which were held in Perth on Friday 4 July 2008. The Department of Education and Training has been consulted and had input into the submission in regard to the Vocational Education and Training sector.

KEY OBJECTIVES FOR WESTERN AUSTRALIA

In summary the Review should:

- Promote the development of a comprehensive and responsive tertiary education system featuring a variety of access pathways/articulations with flexible entry and exit points.
- Recommend a process to promote diverse and effective universities with specific missions, including those who wish to amalgamate and grow or reduce in scale and specialise.
- Advocate an increase in public funding, a comprehensive review of the relative funding model and the appropriate indexing of university base grants.
- Advise on strategies and structures to adequately address identified skill shortages.
- Promote general strategies to increase participation in higher education with specific strategies for regional, remote and Indigenous students.
- Advance objectives which support and foster the development of Australian international education and enhance its contribution to the development of a globally focussed and competitive Australian higher education sector.
- Promote cooperative federalism in higher education policy and planning and the establishment of effective Commonwealth/State partnerships.

COMMENTS ON SPECIFIC ISSUES

Promoting a comprehensive and responsive tertiary education system

An important objective for the Review is to address cross-sectoral matters and to promote better linkages between higher education and vocational education and training and the removal of barriers restricting the movement of students between the sectors.

The last major changes to Australian higher education arose from the White Paper, *Higher Education: a Policy Statement* (Dawkins 1988). The creation of the Unified National System signalled the end of the binary divide and amalgamated the Colleges of Advanced Education with the university system. However, Australia in effect had had a “trinary” system and the relationship between Vocational Education and Training (VET) and higher education was not addressed effectively by Dawkins. The two sectors have subsequently diverged in policy and operational terms. Separate policy development, funding and jurisdictional control of the sectors have contributed to problems for students moving between the sectors, for effectively dealing with skills shortages and particularly for the delivery of tertiary education in regional Western Australia.

Acknowledging these issues, it should be noted that there are a number of examples of good practice and cooperation between the sectors in WA. These include:

- *The Career Combos Program* which combines the Certificate IV in Aged Care and Bachelor of Nursing for mature age students is provided in partnership between Murdoch University, Challenger TAFE and Mandurah Senior College;
- *TAFELink* focuses on regional TAFE colleges developing higher level VET qualification pathways delivered through VET in Schools; and
- *VET in Schools Nursing pathway* into Curtin University provides an entrance qualification to both the Diploma of Enrolled Nursing and to the Curtin Bachelor of Science (Nursing).

The Discussion Paper raises the question of whether it is time to ‘reshape tertiary education in Australia and streamline financing and regulatory arrangements’. To fully reshape tertiary education in Australia would be a major undertaking requiring a reassessment between the Commonwealth and States of jurisdictional frameworks/controls over the sectors, a restructuring of funding systems and cost structures and a reassessment of student fees and support systems. Such a major undertaking does not appear warranted on a cost/benefit basis and there are significant dangers that this approach could result in a loss of diversity and of some of the specific virtues of each sector. In particular we do not advocate a repeat of the outcomes of the removal of the binary divide and the demise of the Colleges of Advanced Education.

Rather than a major change of roles and structures between the two sectors we support the promotion of a comprehensive and responsive tertiary education system which values the distinct missions and contributions of each. Promoting this objective should involve:

- Improving policy linkages and communication between the sectors at a State and national level. The demand for professional qualifications and skills in the future will require expansion in both sectors due to the need to replace an ageing/retiring workforce and to up-grade and extend existing skill sets. Addressing emerging skill shortages in key areas requires joint planning and coordination between the sectors.
- Funding a program to redevelop selected VET Diplomas/Advanced Diplomas to be assessed on the basis of knowledge acquired as specific pathways to university with agreed advanced standing. This program would have particular relevance in regional areas facilitating transfers to university programs.

- Improving the flexibility of movement of students between the sectors including specific funding for universities to expand their credit transfer arrangements and the development of a variety of access pathways/articulations with flexible entry and exit points.
- The issue of credit transfer between the VET and higher education sectors needs to be developed at a national level. Currently the National Senior Officers Committee (NSOC) is exploring this issue, including placing improvement of credit arrangements as a priority in higher education and funding agreements. It is also necessary that credit transfer be two way – from VET to university and from university to VET. For example, university degrees could include options to undertake higher level electives from VET qualifications.
- There are a number of compounding factors that act as disincentives for the higher education sector to recognise VET achievement and accept VET qualifications as entrance requirements. These include funding, selection and attraction policies. Once a VET student is accepted into higher education, they often seek credit transfer or recognition of prior learning. There is a disincentive for higher education institutions to provide credit transfer for VET students for the first year because it impacts on their funding model. However in many cases the first year is the most likely area to be targeted for credit transfer arrangements, eg if a student has completed a Diploma or Advanced Diploma.
- Improving coordination between the sectors in terms of State and national planning including the issues of participation rates and student intakes into the different sectors. The object here is to acknowledge that unnecessary competition for a limited and overlapping pool of students could lead to a waste of scarce resources and inefficiencies in addressing identified national and State objectives.
- Developing more consistent approaches to regulation and quality assurance arrangements between the sectors.
- Developing one Ministerial Council incorporating MCVTE and the higher education element of MCEETYA. The proposal to the expand MCVTE to a new Ministerial Council to include higher education, international education and adult education and the AQF, could provide opportunities for greater interaction and better communication between these sectors and help to streamline the system. There would be benefits for negotiating credit transfer, mutual recognition of overseas qualifications, pathways etc. It would also make sense to include the AQF under the broader council.

Promoting diverse and effective higher education institutions

The Dawkins' 'reforms' promoted the establishment of a uniform university system, based on strong central control and funding to facilitate that uniformity, and enshrined the model of an Australian university as being a large, broad-based research institution with associated teaching.

In relation to the Review's terms of reference, not all universities can assume they will be global players, although they may well take in a large number of international students. And indeed we should expect the majority of institutions to be predominantly focused on meeting the needs of the Australian communities within which they live and operate. However if the objective is to develop a *'diverse, globally focused and competitive higher education sector with quality, responsive institutions following clear, distinctive missions to*

provide higher education opportunities to students throughout Australia and overseas' then past history will need to be overturned and a significantly more flexible policy environment will need to be introduced.

The challenge for the Review is to find ways to promote flexibility and diversity. Flexibility to develop distinct local and international missions means scope for institutions to specialise and to emphasise their most promising research and teaching strengths. It might mean a de-emphasis on competitive research or doing research only in key niche areas in some universities and an increased emphasis on excellence in teaching, scholarship and community engagement in others. Other aspects of diversity may include a tighter focus on specific subject matter, or innovative curricula and delivery or on-campus life or local community or international outreach. Promoting diverse and effective universities with specific missions should also include the consideration of processes for those universities who wish to amalgamate and grow or reduce in scale and specialise.

To achieve diversity there are several policy challenges which must be considered and the prime issue is to acknowledge that you cannot easily create diversity in a system designed to be uniform, consistent and closely regulated centrally. To achieve the required diversity the following policy initiatives must be considered:

- Universities need greater flexibility over student numbers, disciplines and undergraduate and postgraduate balance. Student Load and other changes should be able to be readily negotiated related to local market and national realities so that institutions can respond accordingly. This greater flexibility can be achieved alongside the proposal to establish institutional 'compacts'.
- The concept of individual university compacts is supported if they strengthen university autonomy and encourage universities to be more responsive to the economic and social needs of their communities. While universities should have greater flexibility there is a continuing role for government both State and Commonwealth to work with the universities to address key national and State objectives, for example in addressing emerging skill shortages. As always, striking the right balance between competition and regulation is the key to an effective higher education policy.
- Government must rethink how it funds the sector to ensure that universities are appropriately funded for their varying missions and that the funding mechanisms are robust, stable and transparent. University funding should allow more flexibility for universities to respond to demand and to market signals, however funding approaches which greatly increase competition within the sector (and between the sectors) are likely to be wasteful, creating winners and losers and potentially damaging Australia's reputation in higher education.
- Of most importance to greater diversity, Canberra must pull back from its current level of centralised control of the system.

Improving funding arrangements for higher education

There is a fundamental need to overhaul the relative funding model and inject additional public funds - altering the relative funding model without an additional injection of funds would be self-defeating. Universities argue that some fields of study are currently not viable except in large institutions with cross-subsidies and if more specialised institutions are to develop then income for the different fields of study must reflect real costs. While improving funding per student is essential, additional 'earmarked' funding should be allocated to

promote special public interest issues such as providing for regional access to higher education, to promote social inclusion and for community outreach activities. In addition, and particularly for research intensive universities, it is important that research and research infrastructure be fully funded so that universities do not have to cross-subsidise them.

Together with ensuring that the base allocation from the Commonwealth Grants Scheme reflects the real costs of delivery of courses, it is essential that full indexation be re-applied to university grants, otherwise pressures will always be placed on institutions to increase student fees and class sizes to ensure financial viability. In essence, if 75% of university costs relate to salaries and if the index does not reflect the changes in real wage, then universities will struggle to maintain the parity of university salaries, be forced to find alternative sources of funding, and pressure will be put on additional student fees including raising HECS. Over the past decade we have seen university salaries slip backwards and HECS rise to unrealistic levels. Unless full indexation (analogous to the current indexation base for school grants) is addressed, pressures for HECS fees to rise further will inevitably increase.

As well as an overhaul of university funding it is particularly important that Commonwealth funding for student support schemes be reviewed. We support the position of Universities Australia, *Advancing Equity and Participation in Australian Higher Education*, April 2008, that a prime focus of the Review should be to emphasise that existing Government income support and scholarship schemes need to be reviewed with particular emphasis on rural and regional requirements, and students from low SES backgrounds.

In general it is considered that Commonwealth funding for student support schemes should increase and a revamp of youth allowance and travel and accommodation concessions is essential to ensure that students are financially solvent while studying without being required to undertake unrealistically high levels of employment. The existing system is convoluted and complex and a full review is required, including considering the impact of Centrelink policies and Fringe Benefits Tax on the provision of scholarships. Issues for consideration include:

- Reducing the age of independence for Youth allowance from the current 25 years to 18;
- Increasing or abolishing the parental income threshold;
- Aligning payments to be above the poverty line; and
- Removing the assessable income component for all scholarships and bursaries regardless of their funding source.

In terms of OECD comparisons a significant aspect of the Australian data is the major increase in the private component of tertiary education funding which has increased from 35.2% to 52.8% since 1995, which is the largest change to take place in any nation in the OECD. Since 1995 the average OECD nation increased private funding significantly but also increased public funding by 49%. Australia increased private funding by 98% but actually cut public funding by 4%. This shift away from public investment in tertiary education in Australia reflects the huge transfer of higher education funding from the Government to students. In terms of annual tuition charges for full-time students, Australian fee levels are the second highest after the USA.

We consider that there is a need to redress somewhat the balance of public and private investment in higher education in Australia. While current evidence does not appear to support the proposition, high HECS charges may be discouraging those who see that the return on their investment in higher education does not “stack up” when earnings forgone, the accumulated debt, and expected lifetime earnings from the qualification (which could diminish) are dispassionately assessed.

It is probably true that acquiring a large HECS debt is not a significant disincentive for many new students as it is a deferred scheme which only impacts when students reach a salary threshold. However, for more mature students who are already earning over the threshold and who have other significant financial responsibilities the level of fees may well pose a severe disincentive. This is of particular importance with the growing need to attract older students to retrain and upgrade their skills to address the emerging skill shortages.

In summary, we support an increase in funding for the university sector benchmarked against the top OECD countries.

Increases in university funding should not be based on increased levels of fees for domestic students or be increasingly reliant on private sources such as international students. While overall dollars for the university sector may have increased, private dollars require additional expenditure on marketing and other infrastructure, which has seen a significant rise in non-academic staff costs in Australian universities and perhaps an over-emphasis (of necessity) on commercial operations and fund raising.

There are inherent dangers in an over reliance on private sources of funding such as international students and other commercial activities.

Addressing national and State skill shortages

Skill shortages are a key public policy issue for Western Australia. An adequate supply of university and vocational education and training graduates is essential to the WA economy and a coordinated approach to their supply is required rather than an approach simply based on competition among universities and between universities and VET providers.

The shift towards knowledge intensive employment raises the spectre of increased skill shortages which will increasingly hamper economic growth in WA. As noted in the Discussion Paper, the higher education sector, as a major industry in its own right, is also facing significant skill shortages due to the age structure of staff in universities.

A range of strategies must be undertaken over time to address the expected skills deficit. While market mechanisms should be strongly supported, where they fail to address severe skill shortages the State government must work closely with the Commonwealth government in a coordinated approach with industry and education providers to find effective ways to provide the skills required in key areas.

A particular area of concern for the Department of Education and Training is the provision of teachers. WA is currently facing shortages in the teaching workforce and it is anticipated that these will increase beyond 2011. Under-funding of teacher education within the higher education sector, resulting in few new places for teacher education students is exacerbating this shortage.

In addition, WA is keen to see the promotion of strategies to increase access to teacher education courses for a broader range of students (particularly indigenous students); and the development of approaches to encourage more mature age, career change participants to take up teacher education.

Western Australia is undertaking a quantitative study of the annual increase in graduates required over the next 15 years. It is intended that the study serve as a foundation for the development of State policy options for closing the gap between demand and supply and as a basis for discussion and negotiation with the Commonwealth Government. The study has the support of a multi-agency State level forum concerned with the State's longer term interest in human capital development. The forum includes the Department of Industry and Resources, the State Training Board, the Chamber of Commerce and Industry, the Chamber of Minerals and Energy, the Technical and Industry Advisory Council, the Department of Education and Training and the Department of Education Services.

Addressing skill shortages requires a collaborative approach to ensuring that timely information is available about State skill needs and there is a clear role for the State in promoting skill networks between employer groups and universities as a source of information and strategies for action. In Western Australia collective efforts must be made to develop strategies to attract more students into specific courses such as teaching, nursing, engineering, and geology and to ensure the required graduates are available generally to support our booming mining industry and strong economy.

In discussions the Review Panel noted the State's responsibilities in relation to meeting skill shortages and commented that the State should be involved with the university compacts process. The Department was asked to include in its submission a view on the role of the State in regard to university compacts with particular reference to the problems of emerging skill shortages. In our view compacts should be flexible enough to include agreements on a range of key issues including social inclusion, participation, regional delivery, community outreach and strategies to resolve skill shortages.

The following basic principles should underlie the compacts:

- They should strengthen university autonomy and align with the university's mission.
- They should be less centrally formula driven than at present and not involve micro-management.
- Where possible normal market signals and supply and demand will determine priorities for the allocation of student places by the universities.
- Intervention should only occur where significant market failure may lead to severe skill shortages. Such intervention would be the exception and not the rule involving introducing incentives and other strategies in perhaps 10% of operations.
- Where intervention strategies are proposed universities should not bear the full risk and responsibility for the specific intervention.
- The State's role would be primarily to be locally responsive and to improve the flow of information and provide advice on State needs and provide links with industry groups.
- The State should be 'at the table' with the Commonwealth and universities in the development of the compacts.
- The compacts should be for rolling three year terms.

In essence, tackling severe skill shortages effectively must involve the State directly in discussions with the Commonwealth and the universities and the proposed university 'compacts' provide an appropriate vehicle for State involvement and input. The State is a significant consumer of the outputs of the universities and the State's needs for professional skills in key areas, such as in teaching and nursing, must be addressed.

The nature of the barriers to be overcome and issues to be considered in addressing skill shortages in WA can be summarised as follows:

- The significant decline in mature age university applicants in recent years related to the strong labour market in WA and perhaps to the cost/benefits of higher education for mature age students and especially those upgrading qualifications.
- The likely reduction in demand for higher education arising from the aging of the population. The increasing need for upgrading and refreshing skills for older adults will have implications for the nature and structure of some higher education programs. Lifelong learning may well require more regular and smaller increments of higher education rather than the structures based more around initial education and the school leaver cohort.
- A heightened focus on increased participation from non-traditional groups or those with low rates of post-school education and training is an important consideration in terms of promoting benefits both for the individual and of meeting the needs of the economy and community. However strategies to achieve this objective will need to be different for each specific target group, such as regional and remote Western Australia, and will often require a long lead time beginning with early schooling as it will involve changing community expectations and aspirations.
- It is expected that increased demand will occur for both vocational education and training as well as higher education courses and that demand should be met without wasteful competition or unnecessary overlap in course offerings between the sectors. Barriers to students moving readily between the education sectors must be addressed.
- As well as addressing the domestic sources of students, a focus will need to be given to the optimum balance between domestic and international sources of tertiary qualified people. Currently the emphasis on meeting skill requirements is being placed on the skilled migration program and bringing in foreign workers and it should be noted that over 40% of skilled migrants coming to Australia have Australian qualifications and have been international students either onshore or offshore.
- Delivering more professional courses (e.g. teaching and nursing) through regional centres.

Increasing participation in higher education with specific strategies for regional, remote and indigenous students

The Discussion Paper raises the question as to whether there should be a national approach to improving Indigenous and low SES participation and success in higher education. While a national approach is supported it could be argued that Australia has had a national approach for 30 years with little noticeable success. Any national approach must take account of experience and the different States' circumstances. For example we have a national approach to regional education funding through the Regional Loading Scheme which has proved to be completely inadequate to address the important issues of low participation and access.

To put the Regional Loading Scheme in perspective, in 2007 Western Australia received a total of \$645,698 or 2%, whereas Tasmania with a similar population to that of regional WA received \$5,248,668. The issue is that public policy should be designed to achieve effective ends for participants not distorted to address specific needs, however worthy. The Regional Loading Scheme needs a review and a major overhaul.

In regard to improving regional and remote participation and access to higher education any national strategy must acknowledge specific State circumstances such as Western Australia's unique geographical features.

WA has a regional population of 532,000 or 29% of the total State population of two million - 71% of the population live in the Perth metropolitan area. The small regional population is thinly dispersed throughout a very large land mass. Geographical reality therefore requires a model of regional higher education delivery that differentiates between the most populated regional centres with proximity to Perth, such as Greater Bunbury with a population approaching 80,000, and the many smaller towns, and remote areas such as the Kimberley, which is closer to Darwin than Perth. Distances in WA are huge, for example the distance from Perth to Broome is 2370km, which compares with 2400km from Sydney to Cairns.

WA has regional campuses or university centres in Albany; Broome; Bunbury; Esperance; Geraldton; Kalgoorlie; Karratha; Margaret River; Northam; Peel; Port Hedland and Rockingham.

Higher education participation and educational attainment rates in regional WA are significantly lower than in Metropolitan Perth. For example in regional WA only 26 people per 1000 are enrolled in a higher education course, which is about a third of the participation rate in Perth. In a society that aims to be inclusive and equitable this situation is unacceptable. Equally, in terms of regional development increased participation in tertiary education in regional areas is essential to address skill shortages and to develop teachers and nurses who are more likely to want to stay and work in regional Western Australia.

Metropolitan based universities in Western Australia are currently not funded adequately for the regional delivery of higher education and the current Regional Loading Scheme provides little benefit or incentives to universities to increase such enrolments. While additional funding incentives should be provided to universities for regional delivery purposes, a prime element of any successful future regional strategies should involve the network of regional VET Colleges working with universities. Western Australia has a keen interest in raising higher education participation in regional and remote areas and has a track record in developing models of regional post-secondary education delivery based on collaborative efforts between the education sectors and the community.

As indicated elsewhere, to increase regional student access and participation, WA considers that a comprehensive review is required of appropriate regional models of delivery, associated costs, and the specific needs of students. A comprehensive review of the issue would specifically address:

- Year 12 students who can move to a city university – with the right financial and support framework;

- Mature age people who cannot move and need access to local academic support, mentoring and face-to-face tutoring; and
- Indigenous students with special needs for bridging and foundation programs and general academic support.

In regard to improving Indigenous and low SES participation we are supportive of the findings of the paper, *Participation and Equity: A review of the participation in higher education of people from low socioeconomic backgrounds and Indigenous people*, prepared for Universities Australia.

This report recommended a concerted national response and the development of new approaches to cross-portfolio policies and cross-sectoral action. In particular it was noted that:

- The under-representation in higher education from people with low SES backgrounds is the result of patterns of social and educational disadvantage that are experienced well before people reach the point of considering whether or not university is possible and relevant for them;
- Policies and programs focussed solely on the higher education sector can only partially influence the problem of under-representation; and
- Any broad national strategy must recognise that the problem cuts across portfolios and education sectors. The Commonwealth and the States must work together and promote effective university-VET-school partnerships.

In relation to improving Indigenous people's participation and success in higher education, we note that their participation actually fell from 2001-2006. We also note the COAG commitment to a concerted strategy including raising the aspirations and confidence of students, providing appropriate programs, student supports and pathways with universities working with schools and TAFE colleges and other training organisations. WA has had some success in supporting and facilitating Indigenous students in regional areas such as at the KK Centre (Kurongkurl Katitjin) at Geraldton, graduating cohorts of teachers, and various university initiatives including the University of Notre Dame in Broome providing better opportunities for students in the Kimberley region. The basic formula for any successful programs is that you need community support, appropriate financing, a critical mass of students, appropriate student support and the guarantee of a suitable job at the end of the program.

Aboriginal studies and support programs are offered by all 5 universities. This may tend to spread the student population and the available expertise too thinly to be fully effective. What could be considered is a State Centre of Excellence for Aboriginal and Torres Strait Islander Studies and Support Programs involving all universities and TAFE and linked with schools. The Centre would link institutions with the Aboriginal and Torres Strait Islander community to support programs for students in metropolitan and regional WA.

Other initiatives are outlined in the progress Report to MCEETYA on implementing the recommendations of *Australian Directions in Indigenous Education 2005-2008*.

Fostering the development of international education

International education has been a source of private funding and growth for universities and has introduced an additional and significant international dimension and awareness into Australian higher education.

Australia has been remarkably successful in attracting international students and in providing Australian education services offshore. In national terms education services are now Australia's third largest export industry estimated to be worth \$12.6 billion per annum. In Western Australia over 35,000 international students make a substantial contribution to the economy, estimated to be approximately \$1 billion. In international terms Australia with 0.3% of the world's population has 6% of the international students and that percentage has remained reasonably stable, 2000-2005.

The universities have a significant share of the international student market which makes a major contribution to Australia's export income. The development of the trade in education services since the introduction of the programme in 1985 has been remarkably successful and indicates the capacity of the universities to respond to new initiatives and to contribute to key Government objectives.

International education is a significant export industry, with skilled manpower, international contacts and perspectives, and export income dimensions. Increased government funding which improves university infrastructure, educational delivery and student support services will have significant benefits in promoting Australia as a destination in international education.

While the export of education services has been very successful to date, this has been the result of Australia annexing a percentage of a rising international market. However to remain successful Australia must establish clear objectives for the industry. Objectives must be established in regard to the percentage of international students in Australian higher education and questions about concentration and balance in our institutions and courses must be addressed successfully. For international education to prosper it must serve both Australia's interests and the interests of the students, both international and domestic, who attend our universities.

Western Australia acknowledges the importance of international students and their contributions to the economy, the institutions and to the wider community. In the interest of contributing to a WA international student program which is effective and sustainable, the Department of Education Services has undertaken a number of research projects:

- A Review of State Government Support for International Education in other mainland States;
- An Evaluation of WA Government Support for International Education;
- An Analysis of international Student and Skilled Migration Statistics; and
- Market research to identify the International Education Market Segments of greatest benefit to WA.

The objective of this research is to identify and aim to increase the public and individual benefits derived from a strong, sustainable, and high quality international student program in WA. While individual students must receive a quality education and derive personal benefits from their education experience, there are also clear reasons for the State to value and to support the program such as:

- Increasing personal and business contacts with WA's near neighbours;
- Strengthening international tertiary education as a route for skilled migration; and
- Increasing the recruitment of higher – degree-by-research students.

International education is a key part of the Australian economy both through education fees and direct contributions to the demand for goods and services. Equally important however is the capacity of the industry to contribute to and strengthen Australian research and development, to contribute to addressing professional skills shortages and to strengthening and enriching Australian institutions and the Australian educational experience.

International students come to Australia for a quality education but the quality of their personal and cultural experience is also important. For the future success of the program successful strategies will need to be further developed to help international students to better integrate into their institutions and into the wider community. Promoting more opportunities for Australian students to undertake parts of their course at international destinations will also be an important element in promoting international understanding and acceptance within our institutions. International education cannot simply be a one-way street in terms of the student experience.

To promote cooperative federalism in higher education and the establishment of effective Commonwealth/ State partnerships

Over recent years under the previous government there was an over-emphasis on the Commonwealth taking over responsibility for the universities from the States/Territories.

Now any proposed change in the current Commonwealth/State balance of roles and responsibilities in regard to the universities and higher education generally could form a part of wider federal negotiations at COAG. However in the absence of such major changes a new Commonwealth/State agreement in relation to higher education could be negotiated with an emphasis on collaboration and partnership and a commitment to making the federal system work more effectively. An effective federal system requires a balance between matters which should be handled centrally and those that are best handled locally.

As Professor Jonathan Pincus argues in *Six Myths About Federal-State Financial Relations*, despite the messiness, Australia's current federal system is much more successful than is commonly thought.

Cooperative federalism, based on a new Commonwealth/State partnership, rather than a Commonwealth takeover, could readily address a range of issues including:

- Promoting the effective planning and management of higher education;
- Reducing duplication in reporting, accountability, and associated red tape;
- Addressing national and State skill shortages in conjunction with universities, colleges and industry groups; and
- Promoting a more effective and consistent national quality assurance framework.

A new era and approach is now possible in higher education policy and planning based on cooperative federalism and a new Commonwealth/ State partnership. States should be in partnership with the Commonwealth and 'at the table' with the Commonwealth and universities in developing the proposed institutional 'compacts'. While the States establish the universities in their jurisdictions and the universities are an integral part of the State economy and community, States are currently not a party to the negotiations between universities and the Commonwealth in establishing their operational plans and funding. 