

2

cc PC
by
PP
note
CDP.

Prime Minister

A very interesting report
concerning
Thank you very much
for

THE PRIME MINISTER

HIGHER EDUCATION AND SCIENCE IN AUSTRALIA: SOME LESSONS FOR BRITAIN

1. I visited Australia, in your footsteps, at the end of August. My purposes were: (i) to underline our interest in Anglo-Australian scientific collaboration, by attending the opening of the new Australian radio telescope by Bob Hawke, and visiting the joint Anglo-Australian telescope facilities; and (ii) to study the dramatic developments now under way in Australian higher education and science policies.

2. Because of the close links between our two societies, anything that happens in Australia has an intrinsic interest for us; beyond this I believe that we can learn useful lessons from the ways in which institutions and values derived very largely from Britain are evolving in Australia. In the past the Australians learned a great deal from us: we may now have something to learn from them.

Higher Education

3. In higher education what is currently happening in Australia can both point us to some important new ways forward, and also provide some useful lessons about how not to proceed.

4. Let me start with the strategic setting. The Australian government proceeds from an analysis which is similar to our own. Australia is industrially uncompetitive. Among the many reasons for this failure are deficiencies in the processes by which knowledge serves economic progress. These deficiencies arise from: (a) a university culture which

is insufficiently engaged with the world of getting and spending; and (b) an industrial culture which pays insufficient regard to the economic value of knowledge and of a highly, and relevantly, educated workforce. Australian policy, like our own, has set out, among other things, to change these two cultures, the academic and the industrial, so as to promote a long-term improvement in industrial competitiveness.

5. I will not comment on the attempts to change Australia's industrial culture, except to say that, in spite of a tough approach to public spending, and much "realistic" rhetoric, the Australian government's approach still seems to me to be inadequate. Australia's government, after all, is in the hands of a Labour Party. There has been some progress, but taxes are still too high, the unions are still too powerful, regulation is too extensive, and the State is still interventionist. Australia is still not firmly set upon the path which we are following, which seeks, by reducing the role of the State and cutting taxation, to restore profitability and a sense of responsibility for its own future to industry - including its responsibility for research and development.

6. On the academic side the Australian government is, however, showing itself to be very energetic in its efforts to change Australia's knowledge-culture. This is where we have something to learn - both what to do and what not to do.

7. Australia's objectives in this field are:

- (a) to increase the proportion of graduates in the labour force - currently 10 per cent below Japanese and North American levels, but similar to the proportion

CONFIDENTIAL

in Britain. They aim to do so without substantial increases in public expenditure;

- (b) to shift the direction of what is taught and learned towards greater relevance to the economy and competitiveness; and
- (c) to shift the direction of research in Australian higher education institutions towards greater economic relevance.

8. We must admire the boldness with which the Australian Minister for Employment, Education and Training - note the conjuncture! - is addressing the problem of increasing the number of graduates without significantly increasing public expenditure. He has learned from the United States the point which still eludes us, that the way to expand higher education without excessively increasing public spending, is to tap the private returns from investment in higher education to induce an additional inflow of resources. The Australian government intends to do this by introducing a "Higher Education Contribution Scheme" (HECS), which will require all graduates with incomes in excess of A\$22,000 to repay, on an income-related basis, the sum of A\$1,800 in respect of the tuition costs for each year of their studies. The Australians will continue, as at present, to provide grants towards student maintenance similar to ours but at a more modest level. Unlike us, their loans scheme will be directed to supporting a private contribution to the cost of tuition. The result, open to them but not - yet - to us, is that they are opening the way to substantially increasing the numbers of graduates without substantially increasing public expenditure (except for the front-end loading which is characteristic of all loans schemes).

CONFIDENTIAL

CONFIDENTIAL

9. I believe that we should draw heart from this Australian experiment, and think seriously about re-introducing a charge for tuition in higher education, subsequent to our introduction of loans for student maintenance. If we do not we will continue to find ourselves in a position from which Australia will have escaped, where both our higher education system is smaller than it should be, and our public expenditure on higher education is larger than it ought to be.

10. Having identified this positive element in the current Australian strategy for higher education, let me point out what I consider to be negative features. The Australian government proposes to effect the changes which it seeks in the academic culture by substantially increasing the "top-down" power of government. The Australian equivalent of the University Grants Committee has been abolished, as has the Australian equivalent of the "binary" divide. In future the Department of Employment, Education and Training in Canberra will negotiate with each of the higher education institutions, individually, an "education profile" - what we would call an academic and research plan - on the basis of which that institution will receive recurrent and capital funding from the government. Associated with this is a drastic institutional restructuring intended to reduce the number of higher education institutions from 66 to around 40 by a wide-ranging programme of institutional mergers, including many of a trans-binary character.

11. Because of the propaganda put out by our academic critics in Britain, which depicts our policies towards higher education as centralising and authoritarian, most Australian academics believe that this policy derives from Britain. (You will be amused, if not flattered, by ^{the} cartoon below, from the newspaper of the Australian equivalent of the

CONFIDENTIAL

CONFIDENTIAL

Association of University Teachers, depicting the Minister for Employment, Education and Training waltzing with yourself (!).) The truth, however, is that the Australian government's centralising policies are its own, not ours. And I believe them to be fundamentally mistaken.



12. There are, in principle, two routes to the objective we share with the Australian government of securing greater economic relevance in the academic culture: the market route and the directed route. Although the Australian government's higher education policy contains a potentially very important new market-orientated device - the levying of a charge for tuition against future graduate earnings - the main emphasis in its higher education policy, as might be expected from a Labour administration, is on enhanced power of direction. This is the wrong route, because:

CONFIDENTIAL

CONFIDENTIAL

- (a) it leads to levelling-down, not levelling-up;
- (b) it will be largely frustrated by the forces of inertia, and skilful academic prevarication; and
- (c) like all change imposed from above, it will be less effective than change from within - which is the great prize that can be secured from pursuing the market route.

13. The Australians are plunging ahead, so that our own thinking in these matters is less advanced than theirs: which is why it is so opportune to reflect on what they are doing. Our Education Reform Act creates, for higher education, a framework which could be developed in the direction either of greater central power or of more powerful market forces. Unlike the Australians, we have retained both the principle of a funding council "buffer" between the government and the higher education institutions, and the idea of a "binary" division. To this extent we have already opted for a much less "dirigiste" system than that being developed in Australia. The choice which now faces us is that between seeking to turn our new "buffer" bodies into increasingly centralised planning agencies for higher education on behalf of the government, or to build on the autonomy principle to push our higher education institutions further and faster into the market place. Here, paradoxically, I believe that we have something to learn from Australian innovation in respect of the fee for tuition. In the British context, its introduction could open the way to a progressive growth in independence on the part of our higher education institutions, alongside greater involvement in and accountability to the market-place, leading in turn to the growing engagement of our academic culture with our economic needs - which is the great prize we are all seeking.

CONFIDENTIAL

Science

14. In science policy, the Australians share our purpose of promoting greater interaction between the research communities and the economic operators; and, once again, they are moving forward boldly - if not always correctly.

15. The Australians seem to me to be behind us in recognising the difference between different types of science - basic, strategic, and applied - and between the different roles which are appropriate to government in relation to each. Our policy, reaffirmed in your excellent speech to the Royal Society, is to withdraw government support from the applied end, where industry must act on its own responsibility now that its after-tax profitability is restored; and to shift the weight of government support towards the basic end, where industry's interest is generally less clearly identifiable. The Australians, by contrast, are seeking to push their government-sponsored scientific effort downstream towards applications, reducing their commitment to basic science, in the hope that more government-sponsored applied science will lead to a greater take-up of science by Australian industry. In contrast with ours, this general approach seems to me to be fundamentally misconceived.

16. On the other hand, there is an important point of detail in Australian science policy from which we can learn. As in Britain, the bulk of basic research in Australia is done in the universities - where the Australian government is showing itself willing to grasp a nettle which we too must grasp. They are abandoning the principle - hallowed beyond endurance by academic vested interests - that research and teaching must be funded together in an undifferentiated and

CONFIDENTIAL

undiscriminating fashion. Some of the details of the Australian approach are mistaken: they risk excessive centralisation if they transfer too much funding from the university vote for central allocation by this new Research Council. But the basic principle on which the Australians are acting is sound: monies provided for research in the universities should be allocated on the basis of research strength and promise, and not - as at present, both in Australia and Britain - on the basis of such other, essentially irrelevant, criteria as the numbers and subject preferences of undergraduate students. This is the thinking which has led Kenneth Baker, following our own discussion in E(ST), to tell the Vice Chancellors that we intend that teaching and research funding should in future be separated.

Conclusion

17. Over the last century and a half of British history it was often the case that innovations developed in the colonies showed the way forward for the mother country. Newer, more plastic, societies have often found it easier to experiment, on the basis of the common stock, than the old metropolitan centre. Britain's relation with Australia has now moved a long way towards equality from the old relationship between metropolis and colony; and at the same time Britain has shown itself to be a world leader in "perestroika". But it is still true that change may be easier in newer societies and that we in Britain can learn from such change, particularly when, as in the case of Australia, it is the common stock that is being modified.

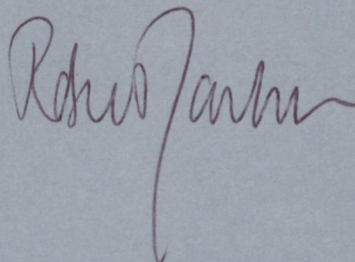
18. We have nothing to learn, I believe, from the bureaucratic, centralising, dirigist thrust of much of the

CONFIDENTIAL

CONFIDENTIAL

Australian Labour government's policies towards higher education and science. On the other hand, I am convinced that we can learn from their boldness in addressing two of the sacred cows of post-war British-style higher education - the principles of free tuition and of the necessary integration of teaching and research funding. Both of these sacred cows are overdue for slaughter. We should be encouraged to emulate the Australians in their boldness.

19. I am copying a copy of this note to Geoffrey Howe *and*
David Young.



ROBERT JACKSON

14 October 1988

CONFIDENTIAL

289

file



bei PC
BG
PG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 October 1988

HIGHER EDUCATION AND SCIENCE IN AUSTRALIA:
SOME LESSONS FOR BRITAIN

The Prime Minister has asked me to thank you very much for your minute on this subject dated 14 October. She found it a very interesting report and commentary.

I am sending copies of this letter to the Private Secretaries to the Foreign Secretary and the Trade and Industry Secretary.

Charles Powell

Robert Jackson, Esq., M.P.,
Department of Education and Science.

ECH