

“compacts ...a significant structural reform designed to strengthen institutional autonomy, to encourage cultural change, and to boost the international competitiveness of Australia’s university sector. Compacts will provide individual universities with greater ability to respond to change of all kinds. They will help us create a more diversified higher education sector through a more flexible approach to university funding. The compacts will provide mission-based funding for each institution, tailored to its needs, priorities and strengths. They will increase transparency in decision-making about funding to institutions, and do away with the ad hockery of the previous Government’s approach. Universities will have a reciprocal responsibility to explain their purposes, and to report publicly on how well they have performed against their own goals and expected performance standards.”

(Senator Kim Carr, 12 March 2008)

# Compact components: 2006 Macklin

- i. Model Education** – undergraduate and postgraduate programs (except research degrees). Funding to include regional loadings and loadings for students with special needs. Within its funding envelope, a university would be able to shift places from low to high cost fields, and from undergraduate to postgraduate level, or vice versa.
- ii. Research and Research Training** – institutional block funds for research, research training and research infrastructure. Funding of places for research higher degree students would be provided only where the quality of research in a field performed within the university demonstrably meets high standards.
- iii. Community Service** – the provision of services to meet community needs, access to university facilities by community organisations, support services to schools, and actions to deal with community concerns.
- iv. Innovative Activities** – knowledge transfer services to

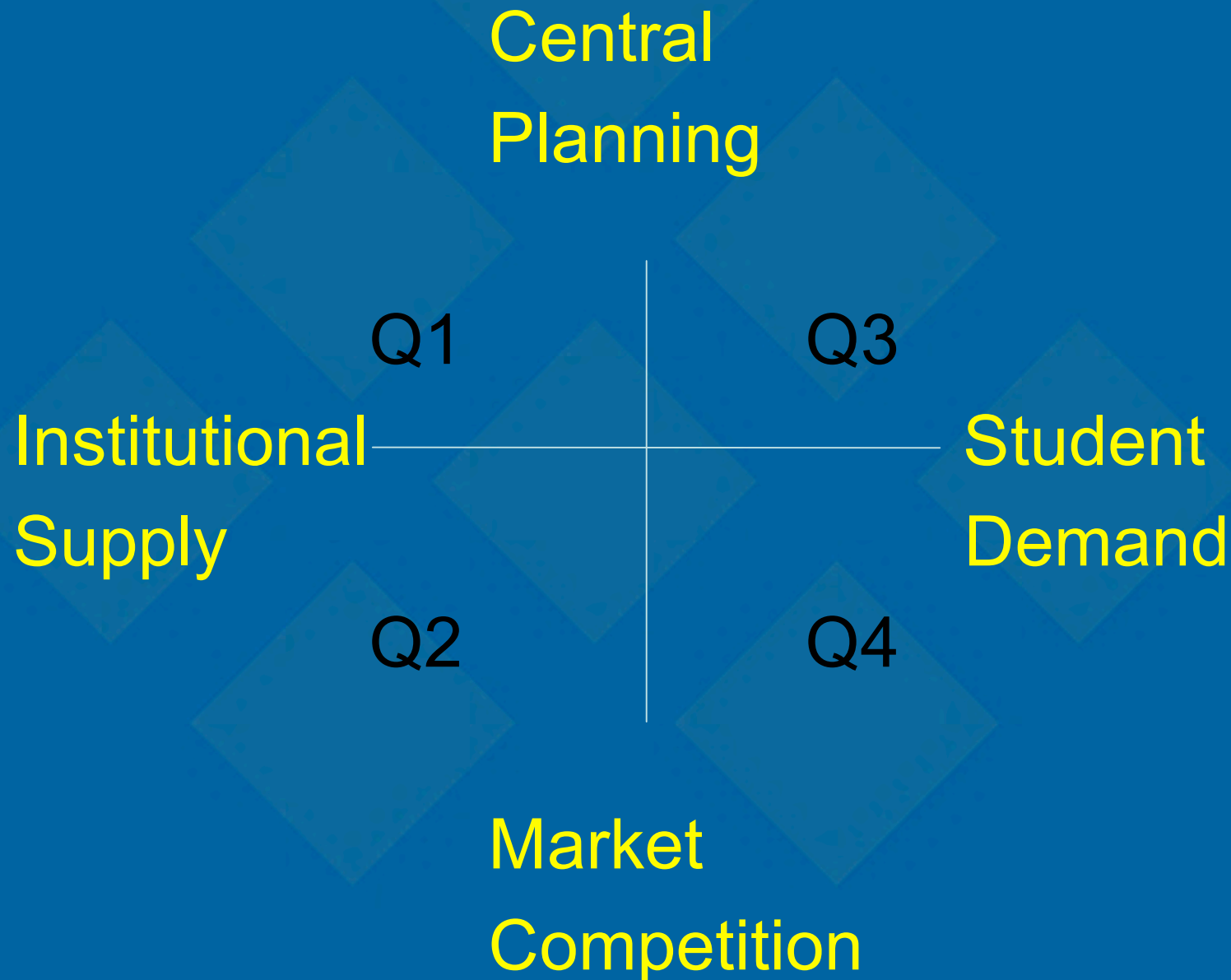
# Compacts in General Context

- COAG reviews of education & training
- Early childhood & schooling reforms
- Review of the AQF
- Skills Australia
- Review of post-VSU arrangements
- Immigration & social inclusion agendas
- Health & medical reform,
- Adjustments to global economic and environmental challenges
- Demographic changes in tertiary education workforce

# Compacts in specific context

- Review of the National Innovation System
- Review of Australian Higher Education
- Excellence for Research in Australia (ERA) initiative
- Education Investment Fund
- Learning & Teaching Performance (Improvement) Fund
- Compact funding of universities

# Basic models of financing





# STUDENT-BASED FINANCING MODEL



# INSTITUTION-BASED FINANCING MODEL



# The role of compacts

The role of compacts as outlined in Labor's 2006 White Paper:

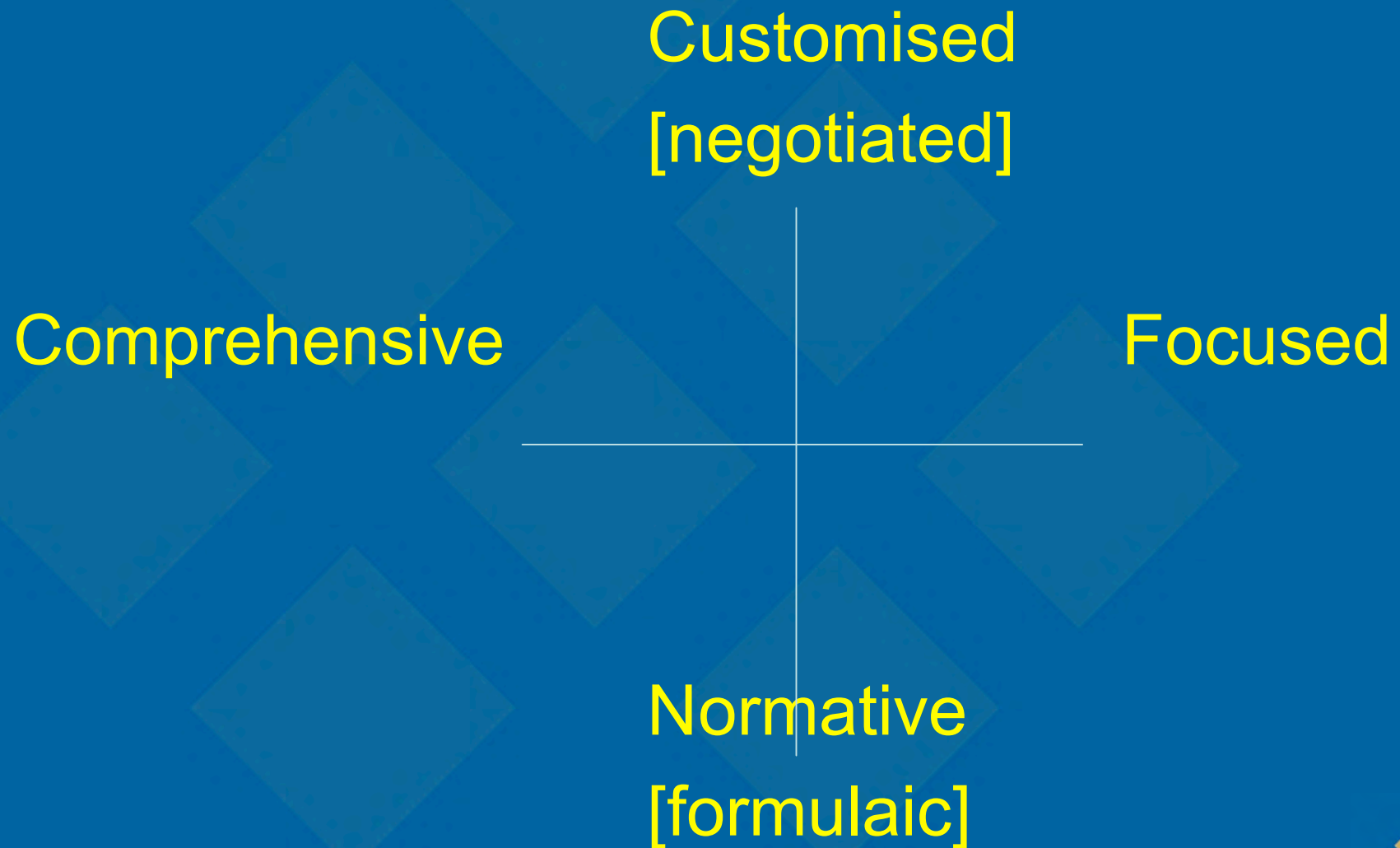
*“to give Australia’s universities the freedom necessary to form and implement strategies for their future role in competitive markets, while safeguarding public good benefits for the Australian community.”*



# Compacts as a steering mechanism

- Compacts as means not ends
- Compacts as a sub-set not the whole
- Compacts to safeguard public good interests in market environment

# Compact financing options



# Diversification objectives

- Modernise the structure of supply to accommodate more cost-effectively an enlarged body of learners with varying characteristics
- Expand the capacity of universities to provide services that are needed in the public interest, including for diverse labour market needs, regional development, and community service
- Reduce the vulnerability of universities to greater exposure to market forces
- Deepen the capacity of the nation to perform in research at international heights
- Encourage opportunities for experimenting with innovation.

# Formal stratification?

- I. Universities comprehensive in research-based higher degree offerings
- II. Universities offering research-based higher degrees in specific fields of strength,
- III. Community universities offering undergraduate and graduate programs, and providing feeder cohorts for HDR programs in Types I & II
- IV. University Colleges predominantly baccalaureate
- V. Tertiary Preparation and Further Education



# The main implications of compacts

- Compacts recognise that universities have multiple roles in contemporary society and that different universities have different roles
- Compact funding on a performance basis
- Compacts flexibility according to the principle of regulation proportional to risk
- Tuition and associated services for students packaged at varying prices across institutions
- HDR student places allocated to institutions according to the outcomes of ERA research quality evaluations by field of research
- Dedicated funding for additional community outreach and innovation activities

# Principles underpinning Compacts

- AUTONOMY
- FITNESS FOR PURPOSE
- ACCOUNTABILITY FOR OUTCOMES
- SIMPLICITY
- TRANSPARENCY
- PREDICTABILITY

# Arms-length compact negotiation

- the need for decision making transparency
- the need for discriminating judgement
- the need for sustainability of reform