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PRIVATIZATION IN TERTIARY EDUCATION:
IMPLICATIONS FOR THE UNIVERSITY
COLLEGE OF CENTRAL QUEENSLAND

SCHOOL OF BUSINESS



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1.0 INTRODUCTION

Privatization is high on the political and economic policy agendas in Australia. This paper examines the issue of privatization of tertiary education, an example of the application of a "user-pays" principle of privatization that has implications for many government service organizations.

The paper is organized in three parts (i) a discussion of the general principles, application and effectiveness of privatization, (ii) an examination of the application of privatization in the tertiary education sector, and (iii) a specific examination of privatization in the context of the University College of Central Queensland.

1.1 Objectives

This paper demonstrates that there are many forms of privatization and that many economic, social and political objectives can be achieved through privatization. It is argued that the University College of Central Queensland should adopt some privatization measures as a means of providing essential capital for it to develop, and to ensure that it remains cognisant with the demands of the community for education. The paper assumes that existing mechanisms allowing privatization to occur in the tertiary education sector in Australia will continue to operate, and will be further strengthened over the next decade.

2.0 THE PRIVATIZATION DEBATE

Current interest in privatization is a reflection of a much longer debate over the appropriateness of governments operating as suppliers of goods and services in the economy, the resultant impact that this has on public expenditure, and the taxation burden on the community to fund that expenditure. Much of this debate has focused on "the Thatcher Revolution" which has seen widespread "selling off" of Britain's nationalised industries and public housing and a singleminded pursuit of deregulation and promotion of market forces (see Dunsire, 1990 and Rowthorn, 1989).

The Thatcher Government could trace its' determination to reduce the role of the state sector in the economic life and administration in the UK to the appointment of Reginald Mauling, Iain Macleod and J E Powell to the Conservative Research Department in 1946 (Cosgrave, 1989:94-99). Powell, in particular, was to become a champion of "denationalization" (Cosgrave, 1989:199-200) as part of bitter debates over the question of public ownership raised at virtually every General Election in the UK since the mid 1940's (Dunsire, 1990:29). He lead opposition to nationalization of industries such as steel by the Wilson Labour Government (Cosgrave, 1989:213); and promoted a significant re-examination of nationalization by the Tories after their failure to win the 1966 election (Cosgrave, 1989:222). This later initiative, coupled with Powell's calls since the late fifties for reforms such as the floating of the pound, were to gain increasing support during the Heath Governments of the early 70's (Cosgrave, 1989:296) and taken up forcefully by Thatcher following her election as Prime Minister in May 1979. Thus the debate on privatization is not new, and, whilst having its root in conflicting political ideologies, it has served to question the role of Government in intervening in the economy by spending public money to produce and supply goods and services that could well have been supplied by the private sector.

2.1 Why Public Sector Expenditure? - The Preconditions for Privatization

The National Priorities Project (NPP) (see Freebairn, Porter and Walsh, 1989) undertaken by the Centre of Policy Studies of Monash University has developed a useful framework for evaluating public expenditure programmes which involves the asking of three questions (Freebairn, 1989:184):

"Is there a compelling case for government intervention in the operation of a private sector economy?

Is government supply of goods and services the only or best way to improve national performance?

Are government expenditure programmes meeting their social objectives in a cost effective way?"

The third question is self explanatory, and to a large extent has been the sole reference point for many reviews of government expenditure (Freebairn 1989:186) and is the overriding principle expressed in the Green Paper on Higher Education (Dawkins, 1987) which will be discussed later. The first two questions need elaboration.

Reasons for government intervention are twofold. First, it is seldom that a pure market economy will provide all the social outcomes desired by a government. Second, various forms of market failure mean that the private sector will tend to under provide some goods and services relative to the quantities that would maximize national well being. According to Freebairn (1989:185) market failure stems from:

"the public good nature of some goods and services - such as law, order, defence, foreign relations and some information services - which provide benefits to most people in society and for which it is difficult or impossible to envisage charging or collecting a market price;

spillovers and externalities - such as arise with primary school education, preventive health, pollution - where the socially relevant benefits or costs are not fully reflected in market prices;

merit goods - perhaps education and health - where individuals are perceived not to know what is best for them; and

natural monopolies where one supplier is more cost effective than several suppliers."

The second question posed by the NPP study recognizes that in addition to the option of government supply, other possibilities should be considered, that is, government should consider mechanisms for intervening in the economy other than the government producing and supplying the service. These include providing direct subsidies to individuals (for example, vouchers for health and housing insurance) or competitive tendering for supply (for example, defence equipment, garbage collection) or franchising (Freebairn, 1989; Hogbin, 1987).

2.2 Effectiveness of Government Intervention.

A full review of government activity in terms of the NPP framework is beyond the scope of this paper; however, some brief observations are required to establish a basis for later comments.

Current public sector expenditure in many areas of the economy can be justified. For example, studies such as Abelson (1987) and Freebairn, Porter and Walsh (1987, 1988, 1989) show that much of the social security and welfare budget expenditures of the Australian government are effective means of redirecting income to those who are genuinely poor. However, as Carlton (1987) and Freebairn (1989) argue, large areas of expenditure on housing, education and health are poorly targeted at the disadvantaged, and frequently those services are inefficiently supplied.

Similarly, market failure arguments support government intervention in the supply of law and order, defence, foreign affairs and basic research. But, as Freebairn (1989:186) argues,

"no good resource allocation arguments and frequently, at best, dubious redistribution arguments lie behind government involvement in business enterprises. For example, the natural monopoly argument is valid only for parts of the electricity, telecommunications and transport industries, and it has no validity for the finance industry, electricity generation and airlines."

Swan (1989) provides further evidence supporting the Freebairn conclusion, but is less definite, indicating that decisions over the appropriateness or otherwise of government intervention are often subject of dispute and uncertain interpretation. The lessons of "Thatcherism" support this contention (Dunsire, 1990:29-30).

As previously stated, a full exploration of these issues is not necessary for this paper. The preceding points, however, do direct attention to concerns over the effectiveness of intervention, concerns which have given rise to calls for privatization.

2.3 What is Privatization?

Most commonly used definitions of privatization describe it as the shifting of functions or transfer of assets, in whole or in part, from the public sector to the private sector (Abelson, 1987:1; Butler, 1989:115; Piggott, 1987:108). This is often narrowly interpreted as the sale of government enterprises to private interests (Carlton 1987:10-11). Beesley and Littlechild (1983) provide a wider definition by describing privatization as an attempt to improve government performance by increasing the role of market forces. Carlton (1987:10) adds another dimension by arguing that privatization is about achieving the best deal for consumers through providing choice and competition.

A basic assumption behind privatization is that the private sector is inherently more efficient than the public sector, and therefore exposure of the public sector to market forces or selling it to private interests, will make it more efficient, and therefore cost the public less to run. Rowthorn (1989:5 & 18) and Weinberg (1983:107-113), however,

point out that public enterprises can be just as efficient as their private counterparts. The British experience is that, as the general rule, only profitable enterprises are sold off. Unprofitable enterprises are normally kept in the public sector while they are restructured and made financially viable. Only later, when they are made efficient and profitable, are they attractive takeover targets for the private sector. This challenges the claim that privatization is designed to increase efficiency, and supports conclusions by Rowthorn (1989) and Langmore (1987) that the fundamental reasons for privatization are political.

2.4 Objectives and Benefits of Privatizing.

The commonly accepted forms of privatization include:

- selling totally to the private sector,
- selling part in a joint venture arrangement,
- selling shares to the public,
- corporatizing (or redesigning performance measures) public sector bodies,
- users paying for services (privatising consumption rather than supply),
- subcontracting or franchizing, and
- deregulating.

This range of approaches clearly indicates that the objectives of privatization are myriad, including:

- reducing the size of government (or the number of public servants) (see Saunders, 1987);

- promotion of wider share ownership (redistribution of wealth) (Cranston 1987:288-289);

- developing better cost estimation and accounting (Butler 1989:115-116);

- introducing profit motive as a basis for decision-making (corporatization) (see Abelson, 1989; Vinning, 1989; Nicholls, 1989; Allen, 1989), or establishing programme budgeting and planning frameworks to enable better performance monitoring (Considine, 1990:174);

- the raising of revenue for the Government (Ord Minnett, 1989:3) - this is the basis of recent decisions in New Zealand where the announced sale of its telecommunication network is designed to help reduce the balance of payments deficit;

- reducing government interference through regulation thus increasing the speed of decision-making (Ord Minnett, 1989:3; Douglas 1990);

- introduction or enhancement of competition (see Carlton, 1987; Freebairn et al. 1987; Douglas 1990), often by removing barriers to introduction of new competition (Freebairn, 1989:188);

introducing choice in suppliers of services (see Carlton, 1987; Hogbin, 1987; Watts 1990c);

better targeting of government assistance to the disadvantaged (Freebairn, 1989:188); and

removing government from activities that can be performed better by the private sector (Chin and Webb, 1987:25).

2.5 The Impact of the Privatization Debate

However debatable some of the arguments advanced in the discussions above, the conclusions of Abelson (1987:311-312) that privatization offers substantial potential benefits to Australia can be supported, although careful identification of the aims and objectives of privatising must occur. Contributions such as Abelson (1989), Carlton (1987) and Ord Minnett (1989) suggest that the key motivation for privatization is economic efficiency. In contrast, the contributions of Cranston (1987), Langmore (1987) and Rowthorn (1989) contend that the major motivating force for privatizing is political ideology. The bitterness in the debate is perhaps best summed up in Langmore's words (1987:67):

"The privatization campaign is principally an attempt to increase unrestrained private power by reducing the capacity of the public sector to achieve important national goals."

If, however, one applies the three questions posed by the National Priorities Project (see 2.1 above) a useful framework exists that allows the political and economic objectives to be balanced. Freebairn's (1989) discussion on public sector expenditure is particularly useful in this regard, especially in pointing out that privatization can fail through poor political action.

The important message of this analysis of the privatization debate to tertiary education is that privatization can take a number of different forms and may serve concurrently to achieve a number of different economic and political (or social) objectives. Carefully managed, the principles of privatization may be used by tertiary education institutions to gain significant advancement. The favoured application of privatization in tertiary education has been the imposition of the "user pay" principle. This privatization of consumption aims to increase public choice rather than selling off public assets and encouraging privatization of the supply of tertiary education services. Thus it would appear to be a more acceptable pathway in terms of the current public debate on privatization, and the more acrimonious conflict in the Australian Labor Party.

3.0 PRIVATIZATION AND TERTIARY EDUCATION

Current Australian Government policy involves providing tertiary education largely within government institutions with low direct charges. The 1987 Green Paper "Higher Education - A Policy Discussion Paper" (Dawkins, 1987) proposed reforms aimed at revitalizing present institutions and increasing student numbers, but maintaining the centrally controlled and centrally funded structure of the tertiary education sector.

3.1 Tertiary Education In Australia: some background facts

Australia has over 400,000 students in higher education, 98 per cent in the 65 government owned and operated universities and colleges of advance education that existed before the recent round of amalgamations (see Dawkins, 1987). The sector exhibits the characteristics of monopolistic competition with a relatively large number of entities offering education services. There are few barriers to entry into the market, with new public institutions and some private services being established relatively easily from time to time. Educational institutions have long promoted and advertised the particular courses or services that they offer - that is, a great degree of differentiation exists in the type of product they supply to the market. This is clearly evident from the advertising of both award (degree conferring) and short non-award courses in weekend newspapers, and Higher Education Supplements in the Wednesday Australian newspaper and the Tuesday Australian Financial Review.

Porter (1988:120-122) outlines some further useful background information to assist in the analysis of tertiary education sector.

- * Total enrolments have increase by almost 50 per cent since the mid 1970s. However, the socio-economic mix of students has changed little despite increased expenditure and the abolition of tertiary fees in 1973. Tertiary education remains of substantially greater net advantage to higher income groups than to those further down the income scale. In other words, removal of tertiary fees has not been an effective way of redistributing educational opportunities to the disadvantaged.
- * About 50 per cent of full-time employed university graduates are working in the public sector which employs about 25 per cent of the total workforce. As private enterprise become increasingly aware of the competitive trading environment facing Australia it is expected that an increasing proportion of graduates will go into private sector employment.
- * More than \$4 billion of taxpayers' money was spent on tertiary education in 1987-88. But access to tertiary education has been essentially free of charge since the early 1970s. Given the government's unwillingness to fund places for all who want them, this policy resulted in substantial excess demand. Watts (1990a:1-2) considers this unmet demand is indicative of the need for private investment in education if equality of opportunity is to be achieved.

- * In terms of equity, while the average Australian family pays in excess of \$40,000 in taxes to fund tertiary education over its lifetime, the benefits go to a privileged group, many of whom value their education at less than the amount that low income families have contributed to support them.

It should be recognized also that considerable privatization already exists in the tertiary education sector, ranging from full fee paying overseas students, to part fee paying, to short vocational courses with full cost recovery, to privately funded research (including industry funds administered under statutory arrangements).

3.2 The role for government in tertiary education

Many commentators accept that government has a role in the provision of tertiary education services (see Abelson, 1987; Carlton, 1987; Hogbin, 1987; Porter 1988). Tertiary education provides skilled people and produces research results, both of which are necessary ingredients for a strategy to achieve a more productive and internationally competitive economy. Since research (especially basic) is essentially a public good, that is, the results are available to all whether they pay for it or not, the private financial returns are negligible compared to the potential social returns (Porter, 1988:122-123). In sectors like agriculture, the rate of return on public investment in research can range from 20 to 60 per cent (Coffey, 1989:135). A substantial case therefore exists for public expenditure in research and the associated training of researchers.

Hogbin (1987) and Porter (1988) also successfully argue that government intervention is necessary to ensure that the disadvantaged have access to tertiary education services. The failure of the free education policy to redistribute educational opportunities is an example of the need for alternative government intervention to achieve social objectives. Both authors support a voucher system as the basis for redistributing the opportunity to participate in tertiary education. Voucher systems are recognized as economically efficient in that they enable recipients to "shop around" for the best value for money (Butler, 1989:116) and foster the development of a stronger market relationship between students (buyers) and institutions (sellers) (Watts, 1986:12). They are also effective political tools to allow governments to achieve social objectives (Butler, 1989:117)

3.3 The Green Paper

The Dawkins Green Paper (Dawkins, 1987) has been widely criticized, although it has successfully exposed the rigidities and inflexibility which characterize academia and which generate few incentives for improved staff performance (Dawkins, 1987:3).

The major source of criticism arises from the government's approach to achieving reform, summarized in the following extract;

"... will be to offer financial and other advantages to institutions willing to adopt those principles and practices considered to be for the general political good. Institutions may choose not to

adopt these principles and practices, but will receive less support from the government and consequently need more from other sources." (Dawkins, 1987:3)

In other word, the government aims to set the standard according to "educational profiles". This assumes that the government is better than educational institutes at assessing demand for education: at best a questionable contention.

The Green Paper also concentrates on economy of scale arguments, not a on broader objective framework such as outlined in 2.1 above. Rather than examining the justification for government involvement, and exploring options for that involvement, the Green Paper takes a narrow view that the social objectives of the government will be met in the most cost effective manner only in institutions of over 8,000 (preferably 10,000) students (Dawkins, 1987:30-35). Porter (1988) rejects this notion pointing to the large number of small education and research institutions that have achieve high standards of excellence and efficiency.

The Dawkins reforms are very much those of a government bent on the centralization of power, and would appear a logical extension of the progressive erosion of institutional autonomy that grew from December 1972 when the Whitlam Government took control of funding of tertiary education (Watts, 1986:7). Watts (1990b:9) accepts the need for government intervention but seriously questions central control, largely on marketing grounds:

"Because governments fund places it does not mean that they should create government-run centrally controlled systems which fail to operate directly in response to customers, but tend to respond to politically controlled social directives which are often irrelevant to consumer needs.

Public systems in which customer empowerment is minimal always suffer from the danger of becoming self-serving."

It is interesting to note that this centralization is occurring at a time when management practices and information systems are leading to acceptance of the need for increased devolution of decision-making responsibility with accountability (Johnson, 1989:6). Both traditional (Stretton, 1989:30) and unconventional (Watts 1990d:3) schools of thought recognize that the current system stifles creative and entrepreneurial behaviour among staff and students in tertiary institutions. It is also interesting to note that New Zealand has recently rejected legislation that would have shifted significant control over tertiary education to government (Frew, 1990).

The general response of the tertiary sector to the Dawkins initiative is typified by the University of Melbourne. Whilst Melbourne has participated in amalgamations, it has rejected the Dawkins model for management within the University (Penington, 1990), and a commitment to collegial processes under a broadly based governing Council has been maintained. The Council and central administration has increasingly devolved responsibility to each of the faculties and to their Deans to deal with budgetary matters, personnel issues, academic change and development. Penington argues that this has allowed the Academic Board to safeguard academic standards.

Since the release of the Green Paper a number of other changes have taken place in tertiary education (Abbott, 1990), which combine to give the sector the following characteristics:

- * Tertiary education institutes are now more active in seeking benefactors and launching joint venture companies to develop and market technology, these often being the vehicle for consulting activities or contract research by staff;
- * Fees are raised from certain categories of students, most notably overseas students;
- * The Higher Education Contribution Scheme (HECS), which aims to collect 20 per cent of the full cost of tuition, or about \$1800 per year has been introduced. Students can opt to pay an up-front fee (with a 15 per cent discount) rather than taking the tax option.
- * Since 1989 the government has allowed tertiary education institutes to charge Australian students for higher "professional" degrees and allowed those institutes to retain the proceeds. Such students are exempt from the HECS charges. The University of Sydney, for example, now has 46 fee-incurring degree or diploma courses, with charges generally less than the HECS fee. The University of Melbourne in contrast has 35 fee-incurring courses, but in many charges well in excess of HECS contributions. For example, the one year Executive Master of Business Administration carries a fee of \$29,000.
- * A large number of short courses are conducted on a fee charging basis, and in some instances institutions offer subjects from degree programmes as discrete programmes available for a fee. This later, for example, is the basis of the Community Education Programmes of the University of Queensland and the University College of South Queensland.

The above characteristics clearly demonstrate a favouring of privatization of consumption as opposed to privatizing supply in tertiary education. This reflects the desire to maintain central control of the sector that pervades the Green Paper.

There are some examples of private sector supply in the Australian tertiary education sector. Institutions which fall into this category include Marcus Oldham Farm Management College in Geelong, and the Catholic Teacher Training Colleges in Brisbane, Melbourne and Sydney, although it must be noted that these are recipients of government financial support (Dawkins, 1987:86). More recent entrants into the market include the Australian Simon University in Sydney, Bond University on the Gold Coast and the developing Catholic Notre Dame University in Fremantle, none of which receive government funding. Although the private sector supply remains a small provider within the total sector, Watts (1990c:82) contends that the private universities serve a useful role in allowing the testing of new methods of teaching and in running risks, and argues that both public and private providers of education are necessary to set standards and mobilize investment that would not occur if either sector was absent (Watts 1990b:1). Establishing competition is the key to successful privatization (Butler 1989:125) so there appears a great deal of logic in the comments by Watts. He, however, questions the ability of the private and public tertiary education sectors to compete under the terms of the Dawkins reforms:

"Quality derives from the attempts by competing groups willing to have their performance measured in terms of outcomes. It will never arise within a single system in which outputs are controlled by regulation and inputs are controlled at starvation level on the grounds that this method assures us all of efficiency. Our clearly stated aim must be to achieve equality of opportunity not equality of outcomes through the regulation of an inadequately funded system removed from the advantages of independent competition." (Watts, 1989:5)

3.4 Criticisms of the Current Situation

Two aspects of the privatization debate warrant further consideration -

- * the possibility for privatization of supply; and
- * the effectiveness of current approaches to privatizing consumption.

3.4.1 *Privatizing supply of educational services*

Porter (1988:123) claims that most arguments for government intervention in tertiary education do not make a logical case for government ownership of educational institutions. He contends that private ownership means that assets are better protected and maintained. There is merit in this argument as a 1987 parliamentary review (Saunderson, 1987 p.193-195) reports concern at the rundown of facilities in tertiary education in the last decade. Porter's ideas suggest that where private enterprise would increase revenue raising (for example, through higher rents) the public sector lets maintenance decline in response to declining support by government.

The government could sell public assets and enter into leaseback arrangements for the continued use of facilities. While this would raise revenue (to be spent in other programmes or to finance tax cuts), Saunderson (1987 p.66) considers that it is unlikely to lead to increased investment in infrastructure. Thus selling and leaseback is unlikely to provide extra places for students, which is a key objective of the Dawkins reforms.

Apart from these brief studies, the issue of privatization of supply of tertiary education services remains largely unexplored. Porter (1988:127), however, raises an interesting alternative worthy of further consideration as part of the general debate on tertiary education:

"As part of the process of de-emphasising the uniform state institutions funded from Canberra, we suggest that all tertiary institutions be restructured as separate legal non-profit corporations, with independent and legally accountable Boards, and in a form in which they are independently capable of takeover, merger or other form of restructuring, including becoming purely private organizations"

I shall return briefly to this point later in this paper.

3.4.2 Privatizing the consumption of education services

Hogbin (1987), Freebairn (1989) and Porter (1988) all argue that the current tertiary education system restricts competition in the supply of education services and that this in turn restricts choice in consumption. This exposes a major weakness of education policy, the difficulty of discovering the extent to which the education packages provided correspond to the real demand and needs of consumers (Hogbin 1987:241). It follows logically that the only reliable way to determine if the education system is performing satisfactorily is to create open competition in the supply of education services. This could be achieved simply by moving to a "user-pays" principle (Hogbin, 1987:235). Fees set at 20 per cent recovery of costs, such as HECS, go only part of the way to achieving this. Freebairn (1989) suggests the need to go to a 50 per cent cost recovery. He and Porter (1988) favour up-front payments, supported by a government guaranteed loan system, as opposed to a graduate tax like HECS. They reason that a 50 per cent of cost recovery would reduce much of the so-called "churning" whereby a significant component of the taxes paid by middle and upper income groups simply provide funds to finance government supply of goods and services to the same people (Freebairn 1989:188). The Freebairn (1988) and Porter (1989) arguments call for better targeting of assistance on the genuinely disadvantaged by providing direct income assistance in purchasing power (for example, vouchers) rather than indirectly providing assistance via government supply of education at low or near zero cost (see Freebairn, 1989:188-189). This empowers consumers to "shop around" and encourages increased competition in service provision (Watts 1990a:3; Hogbin, 1987:236-237; Freebairn, 1989:188).

Undoubtedly the trend in tertiary education is toward privatizing consumption. It, however, still remains to be seen which of a graduate tax or up front payments supported by loans will be the most effective way to fund education and achieve government objectives. Porter (1988:126) favours a loan scheme, and argues that the tax option does not provide funds up front therefore fails to achieve the objective of providing additional student places (Porter, 1988:134). Woodfield (1989), however, has defended the graduate tax concept in New Zealand because of the interest rate cost to the economy of the loan option. The level of cost recovery is also subject to debate.

The implications of privatization in the tertiary education sector will now be discussed in relation to the University College of Central Queensland, previously the Capricornia Institute of Advanced Education.

4.0 THE UNIVERSITY COLLEGE OF CENTRAL QUEENSLAND

In 1990 the Capricornia Institute of Advanced Education entered a new phase of growth and development as the University College of Central Queensland. The University College of Central Queensland is now in the process of developing new procedures, academic structures and enhanced research capacity to enable it to attain full university status by 1993 (1990 University College of Central Queensland Handbook, p.1-1).

It is appropriate, therefore, that the University College examine current developments in the tertiary education sector (i) to ensure that it complies with government guidelines, and (ii) to exploit any opportunities that developments such as privatization might offer in its quest to achieve full university standing.

4.1 University College of Central Queensland Response to the Green Paper

As an institution with a 1990 enrolment of approximately 4000 effective full time students units (EFTSU) the University College is small by the standard set in the Green Paper and logically a candidate for a merger with other institutions to achieve the economies of scale Dawkins sought. Appleton (1988), however, argued that sound geographical reasons existed for the then Capricornia Institute to remain autonomous, and proposed that the CIAE seek to become a fully autonomous university. Growth targets of 5000 EFTSU by 1994, the minimum threshold for University status (Dawkins, 1987:34) and 8000 EFTSU by 2001, the level for an established University (Dawkins, 1989) were determined. Progression to University College standing indicates that the proposition has, at least in part being accepted. The challenge to the University College of Central Queensland is now to reach its EFTSU targets and to build a solid research profile (Appleton, 1990 pers.comm.).

Apart from attaining suitable growth rates, the University College of Central Queensland will need to demonstrate that it is contributing to the higher education aims of the federal government and serving a real community need. An effective way to do this would be for the University College to show that it is achieving of some or all of the objectives for privatization outlined on pages 4 and 5 above. The University College will also need to obtain some development funds from non-government sources as the clear implications of the Green paper is that government funds will be limiting on growth and development of the tertiary education sector.

4.2 Privatization and the University College of Central Queensland

The application of privatization principles as outlined in this paper provide specific opportunities for the University College of Central Queensland. Three of these will now be developed to illustrate some of the potential benefits that the University College could gain.

4.2.1 Revenue Raising

The flexibility that the government now allows in charging for higher "professional" degrees and courses (see page 9 above) should be used by the University College of Central Queensland to develop revenue raising programmes. The objective should be to generate surplus funds (after costs) to allow for other developments, such as research support or provision of equipment. These programmes could be developed in conjunction with industry or community groups, or could be planned around the delivery of training programmes to larger employers in the region. This is an attractive option given the current focus in industry on training as a result of the Federal training levy.

Educational packages could vary from single day seminars to short residential courses to sandwich course to full degree programmes. If they are planned to use a significant amount of the resources used in current programme, then significant cost and time savings could be exploited. The potential for revenue raising of this nature is shown by the Executive MBA in the University of Melbourne where students are charged \$29,000 to complete in one year a course normally requiring two years of study. The University College of Central Queensland should consider the possibility of "privatizing" some, or all, of their current postgraduate courses in this manner.

Additional benefits may accrue from the fact that these measures would provide another avenue to gauge whether education programmes were meeting community demands and answer some of the criticisms as outlined in 3.4.2 above about restrictions of choice in consumption of educational services.

4.2.2 Facility Development

On page 10 a suggestion from Porter (1988) amounting to a proposal that educational institutions be legally structured as corporations is outlined. Whilst this has considerable merit, it is not likely to gain government support given the strong centralized controls supported in the Dawkin's reforms. However, the idea may have application elsewhere.

Accommodation for students at the University College is limiting and it is unlikely that sufficient government funding will be available to meet the shortfall (Appleton, 1990 pers.comm.). The University College should examine the possibility of restructuring the existing Residential College with a possible view of selling it. Two possibilities exist. First, the College could be sold and leased back for use under a management structure such as now exists. Alternately, the College could be sold to an organization which could manage and operate it in the same manner as Colleges in the older Universities like Sydney, Brisbane and Adelaide.

The proceeds of the sale, perhaps with a need for some supplementation from other sources, could then be used to erect new residential college facilities. A further opportunity for an asset sale would then become available. This suggestion has other potential benefit that would accrue to the university community from the development of a number of residential communities on campus. Other similar opportunities may exist for other installations such as conference centres, or sport and recreation facilities. These should be fully investigated.

4.2.3 Research Development

Development of research capabilities is an important criterion for the attainment of full university status. Three problems exist: sourcing of funds to conduct research, development of adequate research facilities, and providing academic staff with sufficient time to develop research interests. This last point requires substituting research postgraduate students for course work postgraduate students, an option currently limited by the availability of funds.

Funds should be sought directly from industry and through industry research funding bodies such as the Horticultural Research and Development Corporation. The University College of Central Queensland should move quickly to establish the University of Central Queensland Foundation as a vehicle for direct industry investment in research in the institution. The Council of the University College of Central Queensland agreed in principle in mid 1989 to the establishment of such a Foundation encourage industry in Central Queensland and the general community to develop a sense of ownership of "their university".

Similarly, it will be important for University College of Central Queensland staff to attempt to gain financial support from the research granting bodies, and time allocations should be planned to enable staff to develop this capability. As it is unlikely that all staff and all Departments will be able to develop research interests in the short-term, UCCQ should consider maximizing the effectiveness of internal research funds by reducing the teaching loads of staff actively fostering research.

It is unlikely that revenue from consolidated funds, or from the Research and Development Corporations, will be available for the construction of research facilities. However, opportunities exist to co-operate with organizations such as CSIRO and the State Government in developing research capabilities. These other organization offer research expertise to compliment that in the University College, and are able to provide both research facilities and postgraduate supervision to assist the University. Thus many of the staff of the university may be able to begin to develop research projects without needing to wait until the organization obtains its' own research laboratories and equipment. These relationships should also be investigated as avenue for winning financial support for research through both private and government (such as the Cooperative Research Centres Programme) sources.

The University of Central Queensland Foundation could also serve as an incorporated body holding patent rights and receiving royalties from University College work. This in time should become a significant source of non-government revenue and should be planned for at this stage.

4.3 Other Privatization Considerations

The three examples quoted above indicated the considerable flexibility that the University College of Central Queensland has in approaching the task of developing the capabilities and sustaining the growth needed to achieve its' objectives. As the examples have been adopted already in other tertiary education bodies around Australia, little opposition to the proposals could be expected.

The potential that privatization offers to raise revenue, and to provide staff with rewards for performance and the opportunities for career development should have a positive effect on performance and morale. It should be recognized, however, that results will not come quickly nor easily. Decisions to introduce full-fee higher "professional" degree programmes for example, will require rigorous market research before implementation. In the longer term the impact of privatization activities as outlined above should be very significant. They will allow for flexible operation of the university, allow it to respond more rapidly to community needs, and improve working facilities and conditions for staff.

5.0 GENERAL CONCLUSIONS

The debate over privatization has raged over 50 or more years. Privatization comes in many forms if we take the term to mean the shifting of functions or assets, wholly or partially, from the public sector to the private sector. The aims of privatization are equally diverse, ranging from desires to cut the size of government, to increasing public choice, to deregulation to introducing competition into monopoly situations.

Considerable privatization may be demonstrated to exist in the Australia tertiary education sector. The majority of this is of a "user pays" (or privatization of consumption) nature aiming to empower consumers with the right to choose between services, and improving the operation of market forces between buyers (students) and sellers (institutions), thus contributing to improved effectiveness in the sector.

Although centralization of control over the sector acts against some of the potential benefits of privatization, there is considerable evidence that privatization is an effective means to enable institutional development in times of limited government support. The fact that privatization is a well accepted principle in tertiary education, means that institutions wanting to adopt privatization measures are not likely to meet any significant government resistance.

The potential benefits of privatization in terms of improved recognition of consumer needs and the capacity to raise revenue are sufficient to warrant consideration by any public educational institution. At a time when Treasury funds are becoming scarcer the potential revenue raising possibilities present opportunities for tertiary education institution to source necessary revenue for growth and development.

6.0 RECOMMENDATIONS FOR THE UNIVERSITY COLLEGE OF CENTRAL QUEENSLAND

The preceding discussion on privatization has been reviewed in conjunction with some of the key needs for development of UCCQ to determine the following recommendations.

It is recommended that the University College of Central Queensland:

- (a) recognizes that government funds required to allow the achievement of full University status are likely to be limiting and that privatization offers some chance to provide supplementary funds; and
- (b) initiate an active privatization plan.

In developing a privatization plan, it is recommended that the University College of Central Queensland:

- (1) explore all options to introduce full fees for courses, ranging from postgraduate to short day courses;
- (2) fund additional residential facilities by the sale of the current Residential College (with consideration being given to a lease back arrangement);

- (3) actively pursue external funding from industry bodies, and statutory authorities;
- (4) establish a University of Central Queensland Foundation to encourage industry and community investment in research at the UCCQ;
- (5) consider providing salary supplementation through external fund raising activity so as to retain staff and attract additional staff from business and industry.
- (6) develop training programmes with local industry to take advantage of the Federal requirements relating to the compulsory training levy; and
- (7) consider the use of internal research funds to provide relief from teaching duties for those staff able to develop a research profile in the short-term.

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