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Speech Notes

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Towards a more vibrant university sector

Speech notes for guest lecture, Victoria University Law School, Downtown Campus, Wellington

Thank you for making the time to come to this briefing on the tertiary education reforms.

Today's announcements represent a further step in the development of a new investment system for universities. There is strong recognition within government of the many and vital roles of universities within New Zealand – not only as places of higher learning, but as drivers of economic prosperity and as centres where New Zealand's national identity is shaped.

I want to outline for you how the government's new investment system will support these key strengths and also, how the new investment mechanisms will fundamentally change the nature of the dialogue between the universities and the government, as well as the way that funding is delivered.

The dialogue between universities and government is founded upon a longstanding relationship in which the government provides financial support to universities as independent centres of learning and research, and in turn, universities make a vital contribution to achieving the government's goals for sustainable economic and social development.

Universities are the lynchpin of a modern knowledge economy:

- They provide a wide range of research-led degree and post-graduate education that is of international quality;
- They undertake internationally-benchmarked research in a broad range of fields; and
- They engage in the dissemination and application of knowledge across all sectors of the economy, and promote learning and critical thinking throughout our society.

It is because we value this contribution and want to foster it that the government has decided to break from the atomised approach to funding under the EFTS system. That system encouraged a culture of chasing enrolments as a means of securing revenue, with the belief that an invisible hand would somehow ensure that those attempts to maximise revenue would serve the greater interests of New Zealand's economy and its society.

Although it is clear that the universities resisted the temptation to exploit the EFTS system, it became increasingly hard for any institution to pursue long term strategic goals when the funding system provided only short term incentives. Similarly, it was difficult to focus on building quality and capability when the funding system was focused primarily on quantity.

While the EFTS system led to a marked increase in participation rates, particularly in the ITP and PTE sectors, it did not foster a strong and responsive network of provision, marked by collaboration amongst tertiary institutions and strong links to communities and industry.

In short, in focusing on trees it lost sight of the wood.

Nevertheless, before any of us who were in universities prior to EFTS are tempted to get nostalgic, it is important to remember the failings of the funding system that preceded it, founded on the venerable institution of the University Grants Committee.

Most of you will remember how the Grants Committee was criticised for its absorption in the world of university politics, and its lack of exposure to the real world – a world in which students sought to launch or re-launch careers, and in which employers sought to develop a workforce with a combination of technical skills and critical thinking ability.

With the current reforms we are aiming to steer a course between these two hazards. We have, on the one hand, a strong belief in the value of academic freedom, in what Cardinal Newman long ago called the “intrinsic fecundity of knowledge”. We need to encourage rigorous enquiry and the pursuit of knowledge because it creates a fertile ground out of which economic and social advancement grows. We recognise that while universities certainly do generate immediate educational outcomes in the shape of skilled graduates who can move quickly into productive work, they also create longer term and less tangible benefits to our society and our economy.

Nevertheless, university education is now a major investment of public resources, with over a billion dollars of government money invested in the university sector each year, not counting student support. I doubt that anyone would deny that the public have a right to see that this investment is being made responsibly and strategically. That means clear objectives, high quality engagement with a range of stakeholders, careful implementation of educational strategies, rigorous measurement of results, and a culture of openness to change and continuous improvement.

This, then, is the backdrop for the funding path for the universities, which will be set out in Budget 2007. As you will be aware, the overall trend amongst the universities has been for a modest and fairly stable growth in student numbers. That means that we are not anticipating any major surges in overall funding.

This year’s Budget needs to be seen in the context of the very significant investments the government has made in tertiary education in recent years through changes to student support, most notably the interest-free loans policy.

We have lowered the financial barriers that students face to participation in tertiary education, and shown a willingness to invest in the individual ambitions of students, both young and not so young.

Now we are turning our attention to investing in the capability of institutions to develop high quality provision and sustain it over the long term, taking account of factors such as the international market for talented academic staff.

That process was begun last year when the Tripartite Forum resulted in Cabinet's agreement for \$27 million to be allocated to universities through postgraduate funding rates and an adjustment fund. The expectation was that this funding would contribute to salaries and, most particularly, to academic staff salaries.

This year's Budget includes a total of \$129 million in additional funding for the university sector over the next four years. This includes provision for the agreements reached through the ongoing Tripartite Process. The specific components are:

- \$89 million over four years, which has been earmarked specifically for the University Tripartite Forum to explore and create opportunities to increase the international competitiveness of New Zealand universities, through recruitment and retention strategies in an international labour market.
- \$40 million over the next four years, which has been set aside to support sector change in key areas such as further differentiation and collaboration, increased achievement of under-represented groups, and an ongoing focus on high quality teaching and research to drive economic growth.

This investment is in addition to the \$199.5 million of operating funding being made available over four years to the whole sector, to increase Student Component funding rates for the 2008 calendar year in line with previous Funding Category Review decisions and by the rate of forecast CPI inflation.

Alongside of the budget process, you will all have noted that the legislation giving effect to the new investment approach has been introduced into the House and is proceeding to Select Committee for consideration.

I will not expand on the detail of this legislation, except to point out one technical change, which should please tertiary institutions. This is the revision of the rules around lease arrangements. Currently, tertiary education institutions must obtain the Secretary of Education's consent to grant a lease of land where the term of the lease exceeds five years. Experience has shown that such leases are typically granted for a term exceeding 15 years. We know how exacting the five year requirement has become for many institutions, not to mention the Education Secretary's signing hand. The five year threshold is being extended to 15 years.

To conclude my remarks, I want to highlight two key messages for the university sector that I hope you will take on board as we move forward.

The first is that New Zealand's universities are mature institutions and hence the changes that arise out of the reforms will be gradual rather than revolutionary. I trust that you will see this as an exciting opportunity to harness the potential of your staff and steer your institutions consciously towards objectives that encourage them to do their best work, create innovative partnerships with business and communities, and raise the profile of the university and the standing and reputation of its graduates.

The second message is that the new investment system will tailor long term funding packages to the individual circumstances of institutions, and support their role in the network of provision. It is therefore important that we leave behind the competitive mindset in which size and growth in total revenue are taken as proxies for success.

The reforms and new investment system are a deliberate attempt to place quality ahead of quantity within tertiary education. That is what will create the new

cohorts of graduates needed to transform New Zealand's economy and to provide social, cultural and political leadership for the future.

I believe today's announcements keep universities at the forefront of that endeavour.

Thank you.