



# Reimagining tertiary education

From binary system  
to ecosystem

## Executive summary

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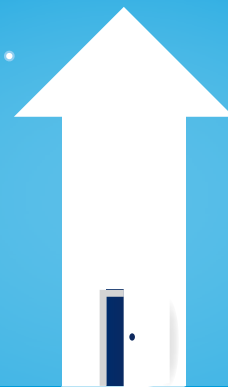
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# Foreword

This report is offered as a contribution to debate about the future of Australia's tertiary education system. It contains 10 ambitious recommendations which we argue will better equip Australia for the economic and social change that is coming our way.

It is offered in a constructive spirit, to provoke discussion. There is much to celebrate and build upon. Equally, the last 30 years have not all been a history of laurels; and further reform would be needed even if the world were staying the same.

The assemblage of ideas is the authors', but informed by discussion with 52 people, experienced and senior in the tertiary sector, who gave their time freely. The discussions were under Chatham House rules of non-attribution. We list our participants in the Schedule, but I would like to thank them all now. Few might agree with every single idea in this report, but each of the ideas in our recommendations has some support, and many originated with them not us.

There is no such thing as a 'view from nowhere' in education; only a view from somewhere. However, as best we can, we have tried to stay neutral as to sub-sector, grouping and type of provider. Neither fear nor favour is intended in what follows: simply intended is a constructive contribution to a debate Australia has to have.

The report is more concerned with tertiary education than research, hence the title, but research does feature, and is also vital to the nation's prospects.

I am the principal author of the report, but I have worked closely with Andrew Dempster of Proofpoint Advisory, and Mark Warburton, Honorary Senior Fellow, LH Martin Institute. They have many years of experience in government and public service. Combined with my experience at different levels in four Australian universities, we have drawn on our collective judgement about what works and what doesn't in tertiary education and training.

KPMG has generously supported the development and the production of this report.

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## **Acknowledgments**

In addition to the 52 participants listed at the end of this report, I would like to thank the following, listed alphabetically by surname, for their help with the project, making arrangements, or providing comments on drafts:

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# Executive summary

Australia's tertiary system has had many successes to celebrate over the 30 years since the Dawkins Reforms created a unified national system for higher education, and since international students became a vital part of our national life.

Not everything has worked out as intended, and there have been failures along the way, particularly in the vocational education and training (VET) sector, but the starting point is a platform of success.

Despite this, the scale of likely change in our economy and society is such that we must at least contemplate major reforms, building on past successes, remedying failures and designing a coherent tertiary system that will equip Australia for a future that will be different.

There are no easy options and the focus needs to be at the system level rather than at the level of institutions, many of which have done excellent work.

Furthermore, although automation, artificial intelligence (AI) and other technologies will radically re-shape the world, there is no way of knowing what this will mean for education systems. We can certainly speculate: perhaps the future is more about cognitive, practical and social skills than discipline-based knowledge and technique. But perhaps it isn't. No one really knows and to be too confident is to run real risks that we are less ready for a changing world than we could be.

## Time to reimagine

Australia needs to reimagine its tertiary system, on the premise that it is behind a "veil of ignorance" about what the future will look like.

Our nation needs to move beyond an unstable and outmoded distinction between higher education and VET, and set the conditions whereby post-secondary school providers can innovate more simply.

We need to move from binary system to ecosystem, with more diversity of providers, organised around the backbone of a revised Australian Qualifications Framework (AQF) and legislative requirements which treat like providers alike.

**We could imagine the tertiary ecosystem not as a stratified, hierarchical one, but as flipped on its side, with different types of providers each aiming to be best of their type: best in class.**

This ecosystem must be supported by public funds: experience shows that private markets alone will fail to deliver the education and training outcomes we seek as a whole.

But the criteria on which public funds and income-contingent loans are granted need to be explicit, and those principles then applied equally to fit and proper public and private providers offering similar programs at similar levels of quality.

The ecosystem for sharing knowledge and imparting skills needs to be shaped by the four principles of advancing innovation, fairness, efficiency and civil society.



## 10 recommendations

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We make 10 broad recommendations, to be implemented in stages, based on the premise that no one really knows what the future holds, and therefore the conditions must be created for institutional innovation, to maximise our prospects.

The most important of these is that a national tertiary education and training system should be introduced progressively through negotiation between the Australian Government, states and territories on the basis that the Australian Government takes primary responsibility for a single tertiary education funding framework for all levels of the AQF (**recommendation 1**). This may be the hardest to achieve, but it is fundamental to the other proposals we make and to long-term success.

At the centre of an Australian Government funded tertiary system should be the AQF, revised so that it does not rest implicitly on a division between higher education and VET (**recommendation 2**). The AQF needs some refreshing but is capable of becoming the central yardstick for the funding of qualification levels and types. There is scope, in particular, for it to better recognise learning by doing, workplace learning, and mastery of technique at the highest levels.

The demand-driven system of domestic undergraduate education should be restored, and expanded over time to other qualifications in the AQF (**recommendation 3**).

In principle, domestic students should have access to income-contingent loans for all levels of the AQF, whether they are studying at a public or private provider. In implementing this extension over time, a clear set of criteria should be crafted as to when public support is to be available and for what purposes.

The Commonwealth Grant Scheme for universities at present is distributed according to student numbers, but the money is also used for research and other purposes.

To encourage greater diversity of mission within what currently constitutes the higher education sector, funding should be separately streamed for teaching, research and any other purposes for which it is intended (**recommendation 4**). Institutions that qualify for and wish to undertake publicly funded research would do so separately from the number and type of students they teach.

This is also an essential pre-condition for non-university providers, both public and private, to be brought within a unified set of funding arrangements for tertiary education. In all likelihood, most non-university providers will not wish to undertake fundamental or major research projects, and will thus only come within the funding arrangements for their teaching.

There should be less politics in the pricing of tertiary education. Large and frequent changes in funding settings are damaging to tertiary education provision. An independent tertiary education pricing authority should be established to determine the appropriate price for the teaching of various disciplines at different tertiary education levels, and set the maximum amount of student contributions that can be levied (**recommendation 5**).

A unified tertiary loans scheme should in time be available across the full range of tertiary qualifications within the AQF, with annual and lifetime borrowing amounts set

having regard to the expected private benefits of the various qualifications (**recommendation 6**).

At the same time, regulation in what is currently called the VET sector needs to be tightened, so that registered training organisations are all of high quality and committed to the mission of education and training (**recommendation 7**). The Australian Skills Quality Authority (ASQA) needs to continue its work to remove providers which do not meet these tests.

Teaching excellence needs to be valued. There should be a companion to the current research assessment exercise; a teaching excellence framework (**recommendation 8**). A component of funding should flow in part according to a provider's performance under the framework, to recognise the additional costs associated with teaching excellence and to provide an incentive for excellence.

Further improvement is needed to the information available to tertiary markets about the performance of individual institutions, to assist students in making the right choice for them (**recommendation 9**).

Once implemented these nine recommendations would stimulate provision at all levels of tertiary education and training, and enable innovation, particularly in courses focused on practice and the workplace.

But there is one more regulatory regime which we think inhibits diversity in the sector: the higher education provider category standards. These lay down the conditions under which an institution is qualified to be a university, and central to this is the requirement to conduct a minimum level of research.

We argue that the word university should continue to be protected in terms of the name, but that provider categories should be abolished (**recommendation 10**).

# Future state

Technical, complex and intermingled though these reform recommendations are, they accelerate Australia's progress on a journey set in train in 2008 by the Bradley Review of Higher Education. They do not involve governments trying to pick winners. They free up the ecosystem of teaching providers and research-active institutions to shape their own mission and be funded for it on the basis of parity with other providers which adopt the same mission and which achieve the same level of quality.

There is a cost involved. We estimate that if all of the report's recommendations had been implemented in 2016, the additional cost of Australia's tertiary education system in that year would have been \$1 billion to \$2.4 billion, a range which depends on assumptions referred to later. This is a small price to pay for investment in a re-invigorated and coherent system which encourages innovation. The price tag for being wrong-footed by economic change would be a lot higher.

The system we propose entails a minimalist structure, but one which is sufficient for institutions to plan their own destiny, protect taxpayer investment and maximise our potential for a future which is different in ways that are presently unknowable.



# Summary of recommendations

1

## Subject matter

### A national tertiary education and training system

#### + Recommendation

A national tertiary education and training system should be introduced progressively through negotiation between the Australian Government, states and territories on the basis that the Australian Government takes primary responsibility for a single tertiary education funding framework for qualifications from Certificate level (AQF level 1) through to PhD (AQF level 10).

2

## Subject matter

### A tertiary education system with the Australian Qualifications Framework at its centre

#### + Recommendation

Australia's tertiary education system should be structured, funded and regulated around a refreshed Australian Qualifications Framework, and not around a division between 'higher education' and 'vocational education and training'.

3

## Subject matter

### A unified funding framework

#### + Recommendation

The Australian Government should restore the demand-driven funding model for higher education and extend it progressively to other tertiary qualifications.

4

## Subject matter

### Greater funding transparency and accountability

#### + Recommendation

The Australian Government should ensure that the purposes for which grants are made to providers of tertiary education and student contributions are levied are clearly identified, particularly in relation to teaching and research. There should be clear accountability for the outcomes under each funding stream.

5

## Subject matter

### Independent tertiary education pricing authority

#### + Recommendation

The Australian Government should establish an independent tertiary education pricing authority. Working within overarching financial parameters set by the government, the authority would:

- determine the appropriate price for the teaching of various disciplines at different tertiary qualification levels; and
- set the maximum amount of that price to be paid through student contributions, having regard to the expected private benefit at different tertiary qualification levels.

6

**Subject matter**

**A unified tertiary education loan scheme**

**+ Recommendation**

Students should have access to a single income-contingent loan scheme that allows them to borrow in respect of student contributions across the full range of tertiary qualifications.

7

**Subject matter**

**Regulatory arrangements**

**+ Recommendation**

The Australian Government should tighten regulation in the VET sector, ensuring that regulation is responsive to the circumstances of tertiary providers, and integrate the regulatory activities of ASQA and TEQSA over time.

8

**Subject matter**

**Valuing teaching excellence**

**+ Recommendation**

The Australian Government should develop an instrument to appraise and recognise excellence in teaching, as a companion to the Excellence in Research for Australia instrument that recognises excellence in research. A component of funding allocated to providers to support teaching should be contingent on teaching outcomes.

9

**Subject matter**

**Improving information on tertiary education outcomes**

**+ Recommendation**

The Australian Government should improve information available to support the operation of the tertiary education 'marketplace' and assist students to make good educational choices.

10

**Subject matter**

**Removing higher education provider categories**

**+ Recommendation**

The use of the term university should continue to be restricted by law but not be based on a TEQSA classification of different types of higher education providers. Universities should no longer be compelled to undertake research that leads to the creation of new knowledge and original creative endeavour in at least three broad fields of study.

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