

## **FINAL SUBMISSION TO THE FINANCIAL SERVICES INQUIRY OF THE VICTORIAN COMPETITION AND EFFICIENCY COMMISSION**

### **What skills shortages, if any, exist or are anticipated in the Victorian financial services sector? What factors are driving these skills shortages?**

The above question is problematic because financial services education and practice led the world to the global financial crisis and presumably will do much the same again if left to their own devices. Most people probably think that skills shortages are most easily and cheaply met through educational institutions which provide certificates of competency rather than through on the job learning. However, they may be making a grave mistake in this assumption and in related policy directions if there is little relationship between what is taught in educational institutions and what is required to perform well in any supposedly related jobs to serve the client and public interest, rather than the interests of the financial service provider, or many others who guard their secrets to obtain their will.

Requirements for green jobs are new, while many teachers, professionals, and tradesmen may be old and have little or no understanding of what the new requirements for sustainable development are, even though they may be experts in their chosen fields. Even young ones may be ignorant or resist green futures strongly. This is a time when open education which interacts strongly with industry practice to lead the way to greener jobs is vital, to invite informed choice, debate and analysis of educational and practice outcomes, rather than blindly relying on experts of yesteryear in multiple closed shops.

The kinds of changes necessary in many financial, legal and related services and education were addressed in the last four submissions made to this inquiry. The attached submission on the Draft National Water Initiative Pricing Principles and its related Consultation Regulation Impact Statement (2009) prepared by the Department of the Environment, Water, Heritage and the Arts under the National Water Initiative deals again with such problems in regard to water management. The main concern is that the pricing principles for existing water related asset valuation, asset investment and for the related sale or treatment of water are very confused and confusing in both documents under discussion. If the Department cannot get it clear for the Council of Australian Governments (COAG) then what hope is there for everybody else? No wonder the financial sector, like the mafia, always remains in love with secrecy. It can hide so much.

The Productivity Commission (PC) Issues Paper entitled 'Market mechanisms for recovering water in the Murray-Darling Basin (2009)' is also very unclear. One assumes the reason government put an explicit price on water is to make people using it realize it is a scarce resource and that a great many people would like to claim as much as possible of it for their own particular uses and ideals. This assumption leads to a consultation and research model where one may logically expect to look at a depicted geographic arena, such as Figure 1 entitled River catchments in the Murray-Darling Basin (p. 3), in order to be told the competing interests for scarce water in that geographic basin. The regulatory role of government, one assumes, is then to stand above that strife of water related interests, to assist competitive achievement of the range of goals which appear most in the

public and individual interest, in the particular region under discussion. The PC Issues paper 'Market mechanisms for recovering water in the Murray-Darling Basin', does not take the above approach to competition and I cannot understand its position. However, the PC discussion of competition for water appears out of touch with future management requirements for sustainable development, as discussed in the attachment on water.

The nature of the relationship between education and work was addressed in post-war debates between those economists interested in education conceptualised as an investment in 'human capital' and those interested in discrimination who saw education mainly as a screening process. Human capital theories assume a direct, causal relationship exists between education, productivity and wages. Screening theories, on the other hand, assume that comparatively privileged social groups use the education system to their own advantage by being in a position to narrow the channels of entry to education for their work by setting specific entry criteria, and by lengthening the time and cost of education required for entering related jobs. Apprenticeship requirements or requirements for professional education and in related registration acts may also help protect the groups' jobs from competition by outsiders, thus increasing their industrial bargaining power by manufactured labour shortages. (Related current issues are addressed in the attachment 'Teaching problems'. I did my PhD on the above educational debates, which arose when Lyndon Johnson came to power in the US. It was published as 'The basis of the bargain: Gender, schooling and jobs', in 1984 by Allen and Unwin.)

However, with the rise of American and related financial relations that led to the global financial crisis and that also privilege numerical research on the pretence that it is scientifically superior to other inquiry, the above debates appear to have been forgotten. Current discussion has shifted to assessing the comparative 'social return' and the 'private return' of spending on human capital investment (education). For example, in a paper for Treasury's current inquiry into Australia's future tax system entitled 'The impact of the tax-transfer system on education and skills in Australia', Andrew Leigh states:

In trying to set optimal education taxes and subsidies, it is useful to have regard to the literature on social returns to education. This suggests that social returns are present, particularly in the areas of crime (from higher school completion rates) and productivity (from higher university completion rates). However, the best estimates of the size of social returns suggest that in the main they should not be a key driver of policy. By contrast, there is robust evidence that private returns to education are large and significant. Completing year 12 raises gross income by 30% (relative to completing year 10) and completing a bachelor's degree raises gross earnings by 49% (relative to completing year 12). Taking taxes and transfers into account lowers these estimates by 11-15%, but the private gain from human capital acquisition is still substantial. (p. 5)

The above seems to suggest education is not very functional for society, so governments should not waste money on it. However, it is good for individuals lucky enough to be able to last out the lengthening education race. More self-serving US numbers?

In an article entitled 'Back to the future: Restoring Australia's productivity growth', delivered in November 2009, Gary Banks, the Chairman of the PC argues that the evidence is that for productivity growth in future, Australia requires the following most:

- Removal or reform of unproductive industry assistance
- Removal of regulatory burdens and the avoidance of adding new ones and
- Rethinking infrastructure

The above direction seems sensible because one cannot drive forward towards sustainable development while required to wear blinkers and pressing heavily on the break but lightly on the accelerator. (Gee, these financial metaphors are catching.)

More sustainable development also needs to be supported by related government, private sector and non-profit partnerships which have environmental, social and economic goals. Ideally, some effective cost-benefit analysis of key proposals designed to achieve these goals is also undertaken. Banks makes an important point about cost-benefit analysis (CBA). He states:

There are two 'urban myths' about CBA that appear to be gaining currency. One is that they need to be kept confidential because of commercially sensitive material. This conflates CBA with a competitive bidding process. An effective CBA can be conducted (and made public) in advance of seeking tenders. Once the tender is chosen it can be refined and made public again without disclosing commercial-in-confidence details. Taxpayers deserve to know on what basis their money is being spent and external scrutiny provides a useful discipline on the decision-maker's calculations. The second myth is that CBAs cannot be conducted where there are non-financial costs or benefits (like environmental impacts). Such impacts will be implicitly valued anyway. CBA merely requires that those valuation judgments be transparently tested (p. 12).

He also states:

Even tight fiscal restraints should not preclude spending on human capital investments with high net social returns, provided they are indeed genuinely high returns. This ups the ante on conducting rigorous assessments and trials before introducing any programs. Australia's record to date, like that of other countries, does not inspire confidence. On the basis of many ex-post evaluations, the eminent American sociologist, Peter Rossi, coined an 'Iron Law' that 'The expected value of any net impact assessment of any large scale social program is zero'. This should give us pause. (p. 14)

Make what you will of Rossi. However, in the last eleven years, as an academic at Sydney University, I have seen piles of totally idiotic educational trials and assessments, which ignore the nature of the education course content, but simply turn the students' responses to questions about the course into numbers with a computer and then call the results science. If asking for rigour today, numerical drivel is often what one gets instead. My view is that a lot of education has become increasingly socially dysfunctional and this is most clearly reflected in the global financial crisis, as I have

argued in previous submissions and attachments. More open education to meet skills shortages and more sustainable development are now required. Make content king.

### **The way forward through open education for sustainable development**

Implementation of the G20 London Summit Leaders Statement and Declaration on Strengthening the Financial Systems (2.4.09) ideally requires consideration in related global and regional development contexts in which carbon pollution reduction and offset development also demand close attention to introduce triple bottom line accounting – which is environmental, social and economic, competitively. The Prime Minister (2009) listed the following key Challenges for the Future and these are ideally also the social goals which governments and many related industries and communities ideally support competitively, as informed members of broader regional and international communities:

- Delivering an education revolution to build the skills that Australia will need as the economy recovers
- Ensuring that every Australian can get the health care they need when and where they need it
- Building a lower carbon economy and creating the low pollution jobs of the future
- Securing water supplies for our cities, towns and farmers, and acting to restore the health of our rivers; and
- Implementing a new way of governing that is more open, accountable and in touch with the community

Greig Gailey, then President of the Business Council of Australia (BCA), stated in regard to the carbon pollution reduction scheme (CPRS) that:

There are substantial benefits in the government and opposition working together to resolve the outstanding matters and ensuring the scheme does not include the risk of reducing the competitiveness of Australia's industries, deferral of investment or business closures, and employment losses in the early years. Business and the community want an emissions trading scheme that contributes to the reduction of global greenhouse emissions in a manner that does not cause unnecessary disruptions. This means avoiding last-minute parliamentary deals, made in the early hours of the morning, made with no time to consider the policy and implementation implications of the compromise, made simply to get the numbers. A successful Australian CPRS will provide an example to many other nations. To provide that example, we must find the right economics, and we must find it together. ('Keep politics out of emissions solution' Australian Financial Review, AFR, 5.5.09, p. 63).

The right economics is unlikely to be found without the support of Chinese and other national communities of interest, as discussed in attachments. As well as development of skills to meet specific shortages, open education models for community and industry management are vital. Linked and open approaches towards education for health,

sustainable development and human rights are necessary. Australian universities can assist sustainable solutions or stay rooted in their collegiate past. This is discussed later.

In a response to a paper produced by the Department of Broadband, Communications and the Digital Economy entitled 'ABC and SBS: Towards a Digital Future I recommended the following:

***1. Take the Open University approach. 2. Address the healthy environment, work and financial needs of industrial and regional communities. 3. Lead in co-operation with interested others.***

The internet, computers, TV, radio and videos provide the most amazing potential for fast and effective skills development and related education since books escaped monasteries. The 20<sup>th</sup> century technologies mean a massive reduction in the need for constantly re-inventing the wheel, as is normally done by teachers talking in classrooms which are often far away, and to which students drag themselves, often at exorbitant cost and inconveniently. Ideally, all teaching staff and students could co-ordinate through Australian communications and technology services to develop a better grounding for work in industries or for service in any community but especially those which are poorest.

Ideally, anybody who wants to should be able to get a substantial amount of the relevant education freely from the television, videos, radio, internet or related books. Whether they can achieve related certificates of competency is ideally a separate matter. In this context, consider the example of the importance of the study of human anatomy for a wide range of health related professions. In recent years I watched two separate series of programs on anatomy on TV which, especially if accompanied by a related handbook, I guess would be far superior in quality and infinitely more flexible and cheaper than anything taught on anatomy in tertiary education lecture rooms across the world. I forgot the names of the programs but one involved a Germanic man cutting up a corpse each week. In the other a young woman at a British university drew and discussed organs on a man's body and did medical experiments on her own body and those of others.

Part of the answer to developing a globally innovative and competitive Australia also lies in analyzing and meeting the education and entertainment needs of Australians and others together. The service and productivity gains which could be derived from more effectively coordinated education, related communication and information technology management systems would be great. Yet there is huge resistance to better management from many collegiate teaching cultures. They do not want to be effectively Green, Global and Connected. Act to break their stupidly complex, closed and narrowly petty fiefdoms.

Currently, for example, the universities, the National Tertiary Education Union (NTEU) and student organizations do not work together to maximise the effectiveness of their communication, which is often closed. This encourages exorbitant fees, undermines education quality and related accountability, assists the training of professional elites who deny mass services in poorer countries, and creates a situation where few students in Australia wish to pay a service fee on top of the money they already pay for lectures they

often miss because they must work elsewhere. The service and productivity gains for students, staff and others which could be derived from more open and broadly coordinated education, related communication and information technology management systems would be substantial. However, there are none as blind as those who won't see. This refusal is a central element of collegiate cultures, which are self-interested silos.

In general, academic and other teachers appear to support the combination of narrowly regulated professional requirements and skill shortages, which reflect and support their industrial interests, regardless of the wider impact of this on industry and international society as a whole. Such teachers normally appear to do all within their power to design the student educational experience in the interests of their particular teaching body, to protect the level of status and control of those currently teaching. If one felt this was also done to protect the standard of services their particular brand of students will deliver to the public one would not mind so much. However, if teachers are so concerned about professional standards, why do they resist their curriculum being open, so that it can be judged by anyone? One is not forced to buy a car unseen, on the basis of ratings provided by groups of self-interested car makers. One should be able to see the curriculum product so as to judge it, whether or not one decides to buy the process of teaching support and assessment which leads to certification. ABC and SBS should lead more open education.

From the historical perspective of the normal product development chain and from the related democratic perspective which seeks to meet the broadest possible need for high quality and rapid skills and education development, the Australian online education production process appears to be totally and determinedly irrational. (One person, the teacher, does almost everything herself, but her work can only reach a comparatively few people.) One may wonder why the apparently normal way of providing the most effective production and related economies of scale have apparently been ignored in regard to on-line teaching. I guess that the big US money behind IT development is strong enough to drive everything else in its own interests, and that these dominating interests have allied themselves with universities and technical colleges against the broader public interest, for related development purposes. On the other hand, the powers of Google, email, TV, radio and videos in providing information are enormous and the Sony Tropfest approach to the image has wonderful democratic development potential.

I have normally found that students who hate writing and teachers who hate constantly replying to individual students' questions and marking individuals' voluminous projects, often agree strongly about the desirability of multiple-choice exams and the related utility of tick the box questionnaires. Students are also less likely to feel that they can argue with a numerical score than with others' opinions, which is relaxing for all involved. (It's the number, stupid?) I think such pressure for numerical scores often create bad education, with little teacher and student feedback along the way. Students are instead encouraged to become rote learners, who may think that numbers and objectivity are identical. They may also avoid any broader learning and application of knowledge and related critical analysis in potentially useful ways to help regional or related workplace communities, while they gain the certificates which supposedly prove their proficiency. What good is education without a related demonstration by the student of the facility to

critically analyse information, apply the results of gathered knowledge and express the outcome of having apparently gained it? The essence of scientific development is the capacity for evidence based action. An Open University (OU) approach is recommended.

An OU meeting I attended in Milton Keynes in England (29.5.08) first stressed the importance of QUALITY, ACCESS and SCALE in OU curriculum production and dissemination. The reason for the establishment of the OU is to make higher education available to many more people. All registered OU students have access to a tutor – local or online. I assume that all education provision should also aim to be in line with the Australian government commitment to AFFORDABLE, ACCESSIBLE, HIGH QUALITY and GREENER services. I have argued for many years, (using some of the current best evidence about on-line learning difficulties in Australia) that it is impossible to meet the above education service goals without an OU-style open model of education curriculum and delivery rather than closed, collegiate, discipline driven and related silo based production of education materials. Who knows what they are doing?

The OU usually requires no entry qualifications for undergraduates studying for degrees or at lower certificate levels and regards student exit levels as more important than entry levels. This approach seems reasonable. One often meets people with comparatively little formal education, who nevertheless appear extremely clever, either in some particular area of expertise, or generally. If such people at last are given the opportunity to shine through being able to gain relevant certificates of qualification for higher activity, society will benefit greatly. However, the approach of welcoming all to learning means that considerable thought must also be given to the aims of any subject, the curriculum content necessary to support the aims, as well as the assessments given to students who want to demonstrate their attainment of the requisite knowledge, in order to apply it further. Ideally, the comparative quality of the students' test outcomes should be judged as openly and consistently as possible by all those most concerned. We all need be able to see and comment on teacher and student product for best results.

I think that subject aims, the education content to meet those aims, and the assessment related requirements for knowledge attainment and certification of proficiency in practice, are the primary issues that should concern a teacher. Otherwise, she may appear to be a law unto herself, who operates with insufficient justification for what she decides to teach and for its related certification. Students and potential students would benefit from the provision of freely available UG or related content which meets the identified needs of industry and regional communities better. This could provide baseline information upon which training for research might normally be expected to develop.

In 1986, Wilenski admired the Chinese mobilization of a large labour force to carry out the slogan 'Put prevention first' in regard to environmental health tasks. He noted the break-up of the medical monopoly and the creation of new health service delivery models designed to meet identified community needs. As a result of the Kyoto Treaty and its related trading and investment aims, a renewal of this approach may now be assisted through more open communication and education technology development for sustainable development. Many industry and community health and sustainable development needs

should now be identified, prioritized and met through related projects, openly linked with others. Whether elected or appointed bodies manage organizations, communities or projects, the danger is they may use their office to favour themselves and close supporters rather than governing in the interests of those they ideally serve. Openness and clear accountability are necessary to avoid this. Social administration is ideally envisaged as open experimentation combining investigation and implementation in a continuing process which attempts to improve all understanding and service outcomes.

### **Towards related assistance for innovation and research**

The report of the Review of the Skills Base in NSW and the Future Challenges for Vocational Education and Training (IPART 2006) concluded that increased levels of vocational education and training should be a key element in a ‘whole of government’ strategy designed to increase the supply of skilled labour. The IPART report called for ‘broader, more sophisticated responses than traditional approaches to skills creation’ and wanted to ensure that skills are ‘used and applied in the real world of work.’ It also calls for a shift in focus from vocational education and training to the newer concept of ‘workforce development’ (p. iv). The report later noted that ‘a collaborative approach between government, employers and training organizations is needed, to achieve viable long-term participation of individuals in the labour market and sustainable productivity and economic growth. It suggested the government will need to expand its role from being a provider of funds and training to also being an enabler whose function is to help, encourage and support its partners to play a greater role in future workforce development’ (p.39). This seems applicable to universities and other research or education providers.

Garnaut did not define innovation, in comparison with continuing and improving development of production methods on one hand, or pure research conducted in an academic environment, on the other. The former approach seems more likely to be designed to solve a particular practical problem of production or service. This innovation process ideally also creates a learning culture. Comparatively few Australian employers appear able to undertake or support much scientific and technological research and development on their own behalf. However, across the board benefits may be derived if industry leaders, their organizations and members are willing to participate in broader, more open, regional community planning approaches which also address effective communication, skills development, education, and research to achieve national objectives related to control of greenhouse gas emissions and sustainable development. This direction is ideally supported by broadly available, clear and cheap risk management education. An open curriculum approach would be the most obvious and effective way of developing many skills quickly and flexibly. It would help fight inflation, promote business and community innovation and cut cost. See one at [www.carolodonnell.com.au](http://www.carolodonnell.com.au).

Related duty of care approaches to protecting workers, consumers, communities and their supporting environments are necessary to attain sustainable development in Australia and internationally. This requires coordinated, broadly scientific and open approaches to all problem solving, not narrowly discipline driven and secretive bureaucratic or adversarial approaches, separated by multiple walls of legal privilege, so nobody really knows what



anyone else is doing. If open education content were on an open website it would be logically available to anybody in the world who had access to a computer and was directed to it. It would be available at any time of the day or night to anybody. It could be designed for English and other language learning. (E.g. [www.carolodonnell.com.au](http://www.carolodonnell.com.au)) Australian universities are currently expected to expand postgraduate education and research. If earlier education content were available in the open manner suggested, then postgraduate students from any country would understand more about what they may be expected to do in self directed post graduate research projects. However, this is not a view to which most Australian academics appear to be drawn. Work with those who are.

Cutler's report, entitled 'Venturous Australia', stated that research in universities is not fully funded under competitive grants programs such as the Australian Research Council (ARC) and performance based block grants, and so it is typically subsidised from universities' other revenue streams, particularly from the teaching of full fee paying overseas students. He states this cross subsidisation of research from teaching profoundly undermines both activities, because research is left to the uncertainties of international markets and teaching is undermined in its international competitiveness (2008, p. 6). He argues that a significant portion of research funding should be aligned with national priorities as they emerge and that carbon abatement and water conservation are obvious national priorities. He also argues that Australia must also ensure that the 'most globally competitive industries, such as mining, agriculture, education and tourism receive adequate research support to keep them at the cutting edge' (2008, p.7).

Cutler's following recommendations appear highly relevant to sustainable development:

Rec. 6.6: The implementation of new incentives around national challenges, including water, carbon emission reduction and related climate change and environmental initiatives needs to avoid further fragmentation of responsibilities and encourage consolidation.

Rec. 7.5: Explore the potential of facilitating the emergence of auditable standards to encourage better comparative voluntary reporting of the quality of firm performance.

Rec. 12.8: That common metrics, performance indicators and mechanisms for collecting and sharing data be developed and adopted by all.

In Rec. 8.3, Cutler has the following view, which I am unable to comment on. What is the difference between a tax concession, a premium an offset and a credit? He states:

The existing research and development (R&D) Tax Concession (the 125% R&D Tax Concession, the 175% Premium, the R&D Tax Offset and the International Premium) should be replaced with a Tax Credit in order to raise the level of business expenditure in research and development by providing a less complex and more predictable support mechanism. A 40% Tax Credit should be available to large firms with a refundable Tax Credit of 50% available to smaller firms with turnover under \$50 million.'

A review to consider the future direction of the higher education sector and the options for reform produced its final report (the Bradley report) in December 2008 (p. 13). This recommended a national framework in which all higher education providers should be regulated by a single independent national agency, with each university being able to set its own strategic direction. The report recommended that funding be provided to the university if it is able to attract:

.....publicly funded undergraduate and postgraduate students, full-fee paying domestic and international students and publicly funded research and commercial opportunities based on the quality of its teaching and research effort (p. 13).

As a result of a NSW Legislative Council inquiry into the governance of NSW universities, reporting in 2009, the Government wrote to all university Chancellors noting 'the general view that a 'one size fits all' approach to governance does not fit with the broader Commonwealth policy objective of greater diversification of the higher education sector'. The government stated it is open to considering proposals that university governing bodies believe would lead to improved capacity for effective governance. The government also stated, however, that it wants to ensure that overall consistency in governance and legislative requirements is retained across all NSW universities. It therefore developed a set of eight governance principles and forwarded them to all universities 'as a backdrop to any change that might be considered'. The first principle to guide legislative arrangements is that university governing bodies have ultimate responsibility for governance of the university and for all other aspects of the university's operation. The second is that governance arrangements recognize both the public role of the universities and the entrepreneurial dimension with appropriate accountability measures for each. (Verity Firth, Minister for Education and Training, letter of 1.12.09)

### **Dealing with the problems of governance in collegiate cultures**

Universities are collegiate cultures often driven by collegiate interests rather than the public interest. Academics often like to believe that the two are the same. I made a personal response to the report of the inquiry into the governance of NSW universities which was predominantly aimed at dealing with this major problem. It argued in support of 'the considerable consensus among inquiry participants that the role of a governing body is to be the governing authority for a university and that its focus should be on strategic rather than operational matters' (p 74). From this perspective, good governance normally requires clear separation of policy and direction from administration, with the former driving competitive, transparent, service provision so all may identify a range of economic, social and environment related outcomes. Related issues are discussed below.

According to the report, a university governing body may be referred to in its enabling legislation as a Council, a Senate or a Board of Trustees (p. 2). It also claims the State Minister for Education and Training is responsible for the administration of the enabling Acts 'which provide universities with the freedom to govern themselves in the way they see fit, while also ensuring that appropriate and effective governance arrangements are in place' (p. 17). The supposedly happy state described is not self-evident truth. Whether

the enabling legislation provides universities with freedom to govern themselves and whether they do so appropriately and effectively are all propositions which ideally are openly tested by governance in practice, in order to improve governance and legislation further, in the light of continuously testing the ideal against the apparent reality.

Professor Vicki Sara, Chancellor of the University of Technology Sydney stated 'the University's enabling act makes it very clear that the Council has the overall control and management of the affairs of the University'. She noted:

Council has summarised its functions as being 'to review, advise, approve and propose policy and strategy in pursuit of UT's goals and to raise matters of general University concern' (p.74).

The above sounds like an advisory role rather than a governance role. Who is being advised and will they take any notice? Who sets the organizational goals? Who is responsible for their implementation? How are people to be held accountable for their performance of governance and implementation? The governance role ideally requires policy and related decisions to be made and supporting processes to be carried out. Their implementation must be monitored and the outcomes evaluated on a comparative basis.

Professor Fred Hilmer, Vice Chancellor (VC) of the University of New South Wales (NSW) and author of an earlier report leading to the national Competition Policy Reform Act (1995) said to the Standing Committee:

The fundamental job of a governing body is to make sure that the entity continues to operate successfully in terms of its objectives. You cannot do that if you are insolvent (p.8).

That appears undeniably true. All decision on governance aims or objectives and related support to attain them must logically be tailored to this fundamental economic reality. All report recommendations must naturally also be judged in a related light. The NSW Auditor-General's Report to Parliament in May 2009 focused on the corporate governance of universities and large government agencies (p. 13). It identified a number of issues of concern relating to universities, including:

- A combined operating loss of \$66 million in 2008 compared to a surplus of \$388 million in 2007, largely as a result of the global financial crisis and volatility in financial markets.
- An increase in unfunded superannuation liabilities to \$3.1 billion
- Increased reliance on overseas students as a source of income, with overseas students now contributing nearly half of total student revenue.

*(Why is the last considered a problem for Australia? The primary aim should be to increase income through open education and research and development partnerships locally and in other countries. See attached discussion on carbon pollution reduction, water and sustainable development in Singapore, China, Mongolia and Russia. Suggestions are made about related financial problems.)*

- Financial exposure due to excessive annual leave balances of academic staff
- Significant maintenance backlogs of nearly \$1 billion (p.13-14)

University governance aims or objectives and related support to attain them must be designed to solve the above economic problems and achieve sustainable development. Suitable ways forward may be suggested by UniSuper and other fund managers.

As indicated earlier, the Bradley report recommended that funding be provided to the university if it is able to attract publicly funded undergraduate and postgraduate students, full-fee paying domestic and international students and publicly funded research and commercial opportunities based on the quality of its teaching and research effort (p. 13). This payment structure appears to be derived from the ‘governance roles and functions’ currently outlined in state university Acts and described in chapter 7 of the current report. However, roles and functions are administrative concepts which ideally serve aims as directly as possible. The enabling legislation does not provide direction and related organizational aims and objectives. How is the organisational direction which administration ideally serves expected to be set and followed? The university is like a headless chicken, as anybody who has ever worked in government will recognise immediately. When one perceives a problem, nobody ever seems empowered to fix it.

Let universities govern openly and publicly justify deviations from legislation when necessary, to achieve stated aims and objects better. This is a scientific approach to governance, as befits most organizations, but especially universities. The alternative view is that past and current legislators are natural repositories of truth or good order, which is not necessarily so. The periodic review and reformulation of legislation ideally depends upon evidence which is systematically gathered on the efficacy of its application to achieve broader community and organizational objectives in specific environments.

The Bradley Report and the current NSW Legislative Council report appear consistent with the United Kingdom’s Independent Commission on Good Governance in Public Services position that:

Good governance requires all concerned to be clear about the functions of governance and their own roles and responsibilities and those of others, and to behave in ways which are consistent with those roles (p. 73).

However, public servants ideally execute the policies and directions of their elected governments. The relationship between deciding direction and its implementation needs to be clarified if universities are not simply to keep repeating past administrative practice.

Ideally, universities should take their direction autonomously, like a private sector organization, but driven by broader social and environmental goals, as well as money. For best governance results, the collegiate ‘business as usual’ approaches of universities must be better directed to achieving key international and national goals for sustainable development, which all Australians ideally support personally, as well as through their governments and related organizations.

The World Commission on Environment and Development defined sustainable development as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ (Beder 2006, p. 18). The first principle of the supporting United Nations (UN) Rio Declaration on Environment is that human beings are at the centre of concern for sustainable development and are entitled to a healthy and productive life in harmony with nature. Nature is also seen by many as wrought by God’s Hand. Key economic operations have religious or charitable origins. Industry superannuation funds are also non-profit. The forward direction is ideally discussed in a cooperative funding context with government and private sector interests.

Hilmer defined competition as, ‘striving or potential striving of two or more persons or organizations against one another for the same or related objects’ (1993, p.2). His definition was not adopted in the Trade Practices Act or in related legislation, which continues to assume that competition is always and only about making money. Hilmer’s is a crucial definition for triple bottom line accounting, which is required by the UN to meet social, environmental and economic goals. In triple bottom line accounting, the supporting service performances and outcomes are ideally compared openly, to improve future performance to achieve the stated social, environmental and economic goals.

### **University appointments or elections, payments for service and the Chancellor**

University governance aims and functions should be directed to serving national, international and related community and organizational interests. One assumes a university governing body (referred to in legislation as a Council, a Senate or a Board of Trustees) ideally sets university aims and direction as well as carrying out the legislated functions. If legislation appears to interfere with the university undertaking its preferred aims and direction in particular circumstances, this problem ideally is openly addressed.

Report recommendation 3 is that governing bodies should have the flexibility to either appoint or elect their alumni (or Convocation) members. This seems reasonable. The decision to appoint or elect members appears ideally left to the University, as long as the governing body performs effectively to meet its clearly stated goals. Professor Hilmer’s view that alumni members of governing bodies should ‘be selected on the basis of their skills not on the basis of the agenda they are trying to run’ (p. 37) seems common sense which ideally appears to apply to all and not just to alumni members.

However, Dr Michael Spence, the VC of Sydney University, confirmed that university’s general commitment to the election of the governing body and stated that the abolition of elections for staff and students ‘is not something we have considered, and is not

something that I can imagine we would consider'. Fair enough if one wants to keep spending so much money on voting for people one usually knows little or nothing about.

The larger the governing body and the more rapid the turnover of its members, the more difficult it naturally is for them to demonstrate their competence and accountability in relation to any decision on direction and its implementation. Any discussion of their remuneration (*as in Report Recommendation 5*) needs centrally to take this into account and change the current structural governance problems first. Student representatives on any governing body should be paid. However, academics are already being paid for working in the university and their variety of service is taken into account in all decisions about promotion. One ideally assumes governors are not being paid for a comparatively short period of warming seats, committee work, lively debates or pursuit of sectional interests, but for making the organization perform to expectation. When the governance structures to obtain this operate, remuneration may fit them.

The first term of reference given to the Standing Committee asks for comment about any apparent lack of clarity in the roles of governing bodies and VCs and the consequent opportunities for conflict. However, the position of VC is overlooked in the report to focus on the Chancellor's position. If one wants to retain a Chancellor, the most obvious governance distinction between the two might logically be that the Chancellor's position relates to governance policy and direction and the VC is head of its administration. One assumes, however, that the role of Chancellor, like that of Governor General, is an unnecessary and expensive legacy of English feudalism. What are Chancellors paid?

Report recommendation 8 is that the Minister for Education and Training amend the university Act to allow for the dismissal of a Chancellor or Deputy Chancellor, similar to the provision contained in the University of Sydney By-Law 1999. The Committee note that 'the language in the university Acts is clear that the Chancellor is the presiding member of the university governing body' (p. 78). However, one wonders what is expected of a presiding member of the university governing body. Mr John Cassidy, the former Chancellor of the University of New England stated that the law is clear with regard to the respective roles of the Chancellor and the VC:

The Chancellor is the principal officer of the university and the VC is the chief operating officer responsible for the day to day activities.....if the person is not fit for that role then there should be some mechanism to move on, whether it be the Chancellor or the VC or other members of the Council (p. 78).

One nevertheless still wonders what the principle officer of the university is expected to do. The VC seems to be head of administration in the above account. Dr Spence, VC of Sydney University states:

The role of the Chancellor is to facilitate the role of the Senate. Being Chancellor is not a job in the sense that it has tasks and key performance indicators and all the rest of it.....To think about the effectiveness of the chancellor's work in that context is the right approach (p. 68).

The word 'facilitate' suggests the Chancellor may not be a member of the governing body and that the governing body does not have effective mechanisms for governing because it lacks the capacity to direct the institution and to be held accountable for the administration and outcomes of this direction. This key problem needs recognition.

Professor Hilmer 'believes that the role of a Chancellor goes beyond the ceremonial duties traditionally associated with this position' (p. 74) He stated:

It is more than a ceremonial role. Its role is to preside over the governing body...to make sure it is well constituted, making sure it has the proper agenda, making sure that the papers that come to it get fully disclosed.....making sure that the compliance work of the council is done properly' (p. 75).

The above suggests that the Chancellor is like a Super Secretary who can also make sure the governing body is well constituted and who must also report to a higher body or person if this is not so, or if the work of the council appears neglected or done poorly. Who is this superior body or person who may appear to be the real governor of the university? The role of the Council (governing body) as discussed by the Chancellor of the University of Technology and referred to earlier, which makes the body appear an advisory one rather than a decision making one, is recalled in this very confusing context.

Dr Robin Fitzsimons, a fellow of the University of Sydney Senate, noted that while some universities have adopted a more 'corporate' look in selecting their Chancellors':

A Chancellor is not simply the Chair of a Board....In the case of the University of Sydney ...we have chosen to choose our Chancellor with a strongest (unwritten) emphasis on that person being someone who will embody all that is best about the university and who will reflect these characteristics to the outside world (p. 75).

In the light of what has gone before, it seems that a Chancellor is nothing like the Chair of a Board. If so, he or she would ideally take economic decisions in the interests of shareholders and ensure their execution, with the help of all the board. They would ideally be held accountable and removed if they did not perform. This is not the case. Chancellors superficially appear to be expensive ceremonial relics of the colonial legal link to feudal English practice, which may now be dispensed with to avoid confusion and save the students and taxpayers' money. Off with their heads? (That is up to you.)

Thank you for the opportunity to make this submission.

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