



'There must be some way out of here'  
said the joker to the thief.  
'There's too much confusion,  
I can't get no relief...'  
'No reason to get excited' the thief he kindly spoke.  
'There's many here among us who think life is but a joke.  
But you and I have been through that and this is not our fate.  
So let us not talk falsely now, The hour is getting late.

Bob Dylan,  
All along the watchtower



**THERE MUST BE  
SOME WAY OUT OF HERE**

A paper about the Yin and Yang  
of university positioning strategies  
by Professor Simon Marginson

Keynote address to the  
Tertiary Education Facility Managers Association conference  
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## POSITION AND POSITION-TAKING (THE YIN AND THE YANG)

The options that institutions have are a matter of both the hand they are dealt with, and the way that they play it. And perhaps, whether they ask for new cards at the right moment in the game. Position and position-taking, the Yin and the Yang.

There is one good theorisation of higher education by a master social scientist, and that is Pierre Bourdieu's 1988 Homo Academicus (= 'Academic Man'). For Bourdieu higher education is a competitive field in which universities are both positioned and position-taking. I like this notion of "position-taking" and I will use it today. It embodies the idea that institutions act for themselves, that they are self-determining - and also that in so acting they are channelled towards positions, spots or opportunities that already exist as part of the structuring of the system and are consistent with their own history and location. Yet the boundaries around these pre-set positions are always moving; and sometimes a university can create quite a new kind of position for itself using an imaginative go-it-alone strategy. That is rare but it happens.

Position-taking and position interact. Institutions are positioned by their history, the expectations they have of themselves and communities have of them; by their resources (financial, human, assets and facilities, location, etc.); and self-positioned by their boldness and capacity to be responsive and to change; by their business and general staff-servicing capacities, by their academic capacities. At any given time some institutions have more scope for position-taking than others. Some have more resources, capacities, imagination, desire, courage. Whatever it takes.

I want to emphasise that when I say position-taking or position I am not just talking about marketing. One of the mistakes that institutions can make in this environment is to see their marketing division as the proxy for their whole strategy. Marketing should be a servant of a position-taking strategy, not its master.

The Nelson reforms (Brendan Nelson Australian Minister for Education 2005) have reset the environment of position and position taking. They change the available positions. We now have positions with a new viability, such as teaching-only private institutions, and comprehensive private universities like Notre Dame. The Nelson reforms change to some extent the terms by which position is allocated: research performance has become more crucial. They change the means available for position-taking: surplus from full fees has become crucial. They make position itself more specialised and less ambiguous: mission specialisation has a new weight and comes onto the agenda of many institutions.

## THE FIELD OF WORLD-WIDE HIGHER EDUCATION

First then let's look at the field of world-wide higher education. Higher education always was an international sector, but for the most part the international connections took place at the margins of each nation and each university. In the last 20 years there has been a decisive change: the formation of a single worldwide network of universities, a networked global "system", in which every university is aware of every other. For this we can thank the Internet, and intensified and extended (and cheapened) people movement across borders especially by doctoral students and academics, and the emergence of a single English language system of knowledge.

Global higher education is in our face. We are competing with all institutions, especially in Asia. When NUS Singapore goes to 100 in the world table of research universities, that has implications for all institutions in Australia. When China goes past Australia in its number of universities in the top 500 - something that happened this year - that matters.

## GLOBALISATION IN HIGHER EDUCATION HAS MEANT TWO MAJOR CHANGES:

1. The formation of a semi-integrated world market on two levels. The top tier is the Global Superleague, such as Harvard and Oxford, consisting of highly prestigious non-commercial universities. The second tier, where all the Australian universities are located, consists of exporters of degree programs. Increasingly the market on this tier is commercial in character.

2. The amazing world-wide convergence of ideas of good practice in system design, funding, and institutional management and university organisation. National/local nuances, idiosyncrasies and strengths flourish but to a growing extent these variations are played out against the common global template.

I'll start by looking at this second change, the global ideological convergence in policy and management. There are several elements to this ideological convergence.

First, two dominant models have emerged, in the modelling (the idealizing or imagining) of institutions and national markets. One model is the US Ivy League private institution, which has tremendous status on a world scale and even more inside the USA. The Ivy League university stands as the idea of the elite university everywhere, despite the fact that the conditions that support it cannot be replicated outside the USA. The other model is that of commercial for-profit vocational no frills no research provider, the University of Phoenix. Phoenix is now the largest private university in the US and has spread to many nations, including India. The American for-profit sector is supported by a \$50 billion equity market. This is not going to go away. It will just get bigger (try shutting a Casino!).

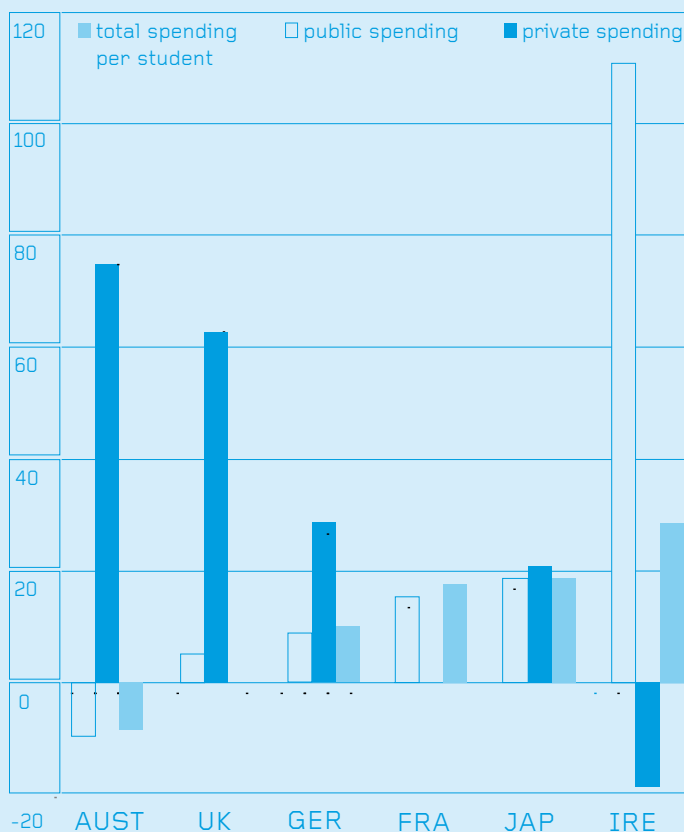
The result of the new ascendancy of the two kinds of private sector models is that the form of university long dominant throughout the world, even in the US where it has three quarters of enrolments, that of the public or state/national university, has been deeply problematised. The model of public universities directly publicly funded for the public good, combining mass education, social accessible and semi-selectivity with quality research; now finds itself outcompeted at each end of its continuum. It does not have the status power of the selective sexier looking private universities. And as a comprehensive institution it carries too many costs and public obligations to be able to beat the commercial institutions in the efficient production of mass education.

The second element in the worldwide ideological convergence is the rise of subsidised student loans in place of direct public funding as the dominant form of public funding support. This process has far to go but is now underway. Not that neither the Ivy League model nor the commercial model depends on the direct government funding of the institution for teaching places, though in the US both models benefit from voucher style loans funding of students - the Ivy League has had it for a long time, the commercial sector is getting it now - and the Ivy League receives extensive research funding. Some student loans systems are commercial loans systems; others have generous payback and waiver clauses and may be income contingent, as in the case of the Australian HECS-HELP and FEE-HELP.

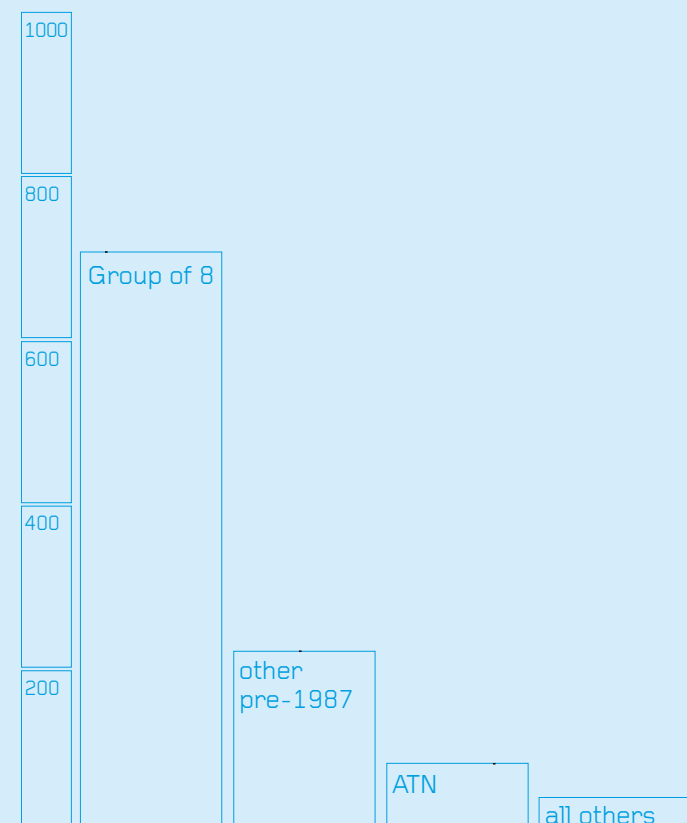
In fact the long-term global policy debate may well come down to the antinomies of commercial loans versus income contingent loans. Income contingent loans provide much better for social access - as we know from the history of HECS, income contingent tuition charges/loans function almost like free tuition at the point of access - but carry growing public cost over time, and do not generate profits for the financial sector. In many countries the financial sector benefits from commercial student loans and regardless of the regressive effects on social access will not let go willingly.

The third element in the ideological convergence is the business model of organisation within universities. This has less of a hold in the strongest research universities, especially their academic units, than it is achieving elsewhere.

Change in spending on tertiary education institutions, 1995-2002 (OECD 2005 data)



New Australian Research Council Discovery Grants, 2005



Where academic prestige and performance drives itself, and high performance depends on intellectual freedom underpinned by resources, corporate performance management systems are likely to get in the way. For example the University of Cambridge is the number two research university in the world, but it seems to lack an executive steering capacity. The Vice-Chancellor's office does not have much sway over the academic units, which power on, driven by their desires to excel. It doesn't work in lesser level universities though, this notion of university organisation without an executive steering capacity. We tried it at RMIT, Melbourne a little while ago but it didn't work!

Now I'll turn to the global market and Australia's position within it.

#### AUSTRALIA'S GLOBAL POSITION IN RESEARCH

In the last three years there has been a fundamental change which has completed the evolution to a global market of universities. That is the emergence of the Shanghai Jiao Tong University Institute of Higher Education (SJTUIHE 2005) worldwide ranking of universities on the basis of research performance. The Jiao Tong rankings are credible, based on solid, transparent numerical data of research quality and quantity – Nobel Prize winners, publications in prestigious journals, citations, etc. – and knowledge of the rankings has rapidly spread across the world. This has changed the ball game. Everyone is using those research rankings to locate institutions. In other words, this is how the generic "quality" of institutions is being judged, and not just in relation to research. Australian institutions, like all the rest, are now being judged by their position in (or outside) Jiao Tong. Jiao Tong provides a neat, accessible summation of a world hierarchy. It completes the evolution to a single world-wide "system" (network) of universities. Behold the power of data!

The Jiao Tong rankings provide a firm definition of the Superleague universities. There have been some shifts since the 2004 rankings, with Cambridge rising to number 2, and Tokyo slipping from 14 to 20. The US universities are very strong, with 17 of the top 20. The UK had four in the top 20 but now has three.

Australia has 14 universities in the 2005 Jiao Tong top 500, but only two in the top 100: ANU at number 56, down from equal 49 in the first survey in 2003, and Melbourne which is at 82. Sydney and Queensland are in the first 150. The rest of the Group of Eight Universities (Go8), NSW, WA, Monash and Adelaide, are in the top 300. Macquarie, Tasmania, Newcastle, La Trobe, Flinders, and Murdoch are in the world's top 500 universities, but not Griffith, Wollongong or any of the post-1987 universities (SJTUIHE 2005). English-speaking nations have a natural advantage in the Jiao Tong rankings because English is now the only global language of research. But Australia does not do as well as the other English-speaking nations, aside from New Zealand. We perform reasonably well in our share of the top 500, indicating a broad spread of research universities, but less well at the level of the top 100 indicating a lack of quality research universities at the higher levels of performance.

By comparison Canada, which is 50 per cent bigger than Australia in GDP, has twice our number of top 100 universities (four), two of which, the Universities of Toronto and British Columbia, are ahead of ANU and placed in the top 40. The UK has a more advantageous historical position than Australia, especially in terms of the potency of its long established cultural institutions. But it has a similar GDP per head, and a similar national higher education system structure to Australia. Both moved from a binary to a unitary national system at about the same time, and until recently both shared a similar mixed public/private funding base, though Australia's is now more privatised than is the UK. And in terms of research universities, the UK is streets ahead of Australia. The UK is three times bigger than Australia in terms of GDP and population, but has 11 per cent of the world's top research universities (we have 2 per cent) and 8.4 per cent of the top 500 (we have 2.8 per cent).

In the last three years there has been a fundamental change which has completed the evolution to a global market of universities. That is the emergence of the Shanghai Jiao Tong University Institute of Higher Education (SJTUIHE 2005) worldwide ranking of universities on the basis of research performance.

Table 1. Towards a definition of the Global Super-league: the world's leading universities in measured research performance, 2005

	University	Nation	Points
01	Harvard U	USA	100
02	U Cambridge	UK	73.6
03	Stanford U	USA	73.4
04	U California, Berkeley	USA	72.8
05	Massachusetts IT	USA	70.1
06	California IT	USA	67.1
07	Columbia U	USA	62.3
08	Princeton U	USA	60.9
09	U Chicago	USA	60.1
10	U Oxford	UK	59.7
11	Yale U	USA	54.9
12	Cornell U	USA	54.6
13	U California, San Diego	USA	51.0
14	U California, Los Angeles	USA	50.6
15	U Pennsylvania	USA	50.2
16	U Wisconsin-Madison	USA	49.2
17	U Washington (Seattle)	USA	48.4
18	U California, San Francisco	USA	47.8
19	Johns Hopkins	USA	46.9
20	Tokyo U	Japan	46.7
21	U Michigan, Ann Arbor	USA	44.9
22	Kyoto U	Japan	43.8
23	Imperial College London	UK	43.7
24	U Toronto	Canada	43.1
25	U Illinois, Urbana-Champaign	USA	42.8
26	U College London	UK	42.6
27	Swiss Federated IT, Zurich	Switzerland	41.7
28	Washington U, St Louis	USA	40.7
29	New York U	USA	38.8
30	Rockefeller U	USA	38.2

I believe we have much to learn from the research success of the UK university system. One difference is the operation of the British Research Assessment Exercise (RAE) where the performance indicators focus on quality as well as quantity (we count publications and grant income in largely quantitative terms) and assessments are conducted in terms of disciplinary groupings not generic research indicators. Another difference is that a higher proportion of public funding is allocated on the basis of institutional research performance, within the discipline groups. The English universities receive about five times as much as Australian universities in terms of government operating funds targeted to research performance – almost double what the respective GDPs would suggest. This is roughly in proportion to the superior British research performance vis a vis Australia. You get what you pay for.

Table 2 provides a more precise measure of each nation's number of research universities relative to its economic capacity. National economic capacity is measured by the size of national income (GDP) and its wealth intensity (GDP per head) – that total economic capacity equals total GDP multiplied by GDP per head (i.e.  $GDP^2 \div population$ ) using World Bank (2005) economic data. Adding together each nation's economic capacity creates a world total economic capacity, and this enables us to compare a nation's share of world economic capacity with its share of the top research universities. This constitutes a guide to how well that nation is performing in university research relative to capacity. Nations can then be compared to each other.

Using this measure Australia has outperformed the USA at the level of the top 100, but not the top 500. In the USA the highly stratified system and strong centripetal market forces drive an extreme concentration at the level of the top 100 but a weaker spread of research capacity across the regional knowledge economies. Again we see that Australia is outperformed by both UK and Canada at the levels of the top 100 and top 500. It is also outperformed by parts of Western Europe, including Sweden, Switzerland also the Netherlands.

The nations performing better in research than economic capacity suggests are Israel, Sweden, Switzerland, the UK, Netherlands, Canada, Finland, Denmark, Singapore, Australia, Germany, New Zealand, Hungary and Belgium. Nations performing in research about on par with economic capacity overall are the USA, Austria, Norway, Chile, France, Hong Kong China and South Africa. Underperformers include Ireland, Brazil, Japan, India, Portugal, the Czech Republic, Russia, Italy, Korea, Spain, Poland, Greece, China, Argentina and Mexico.

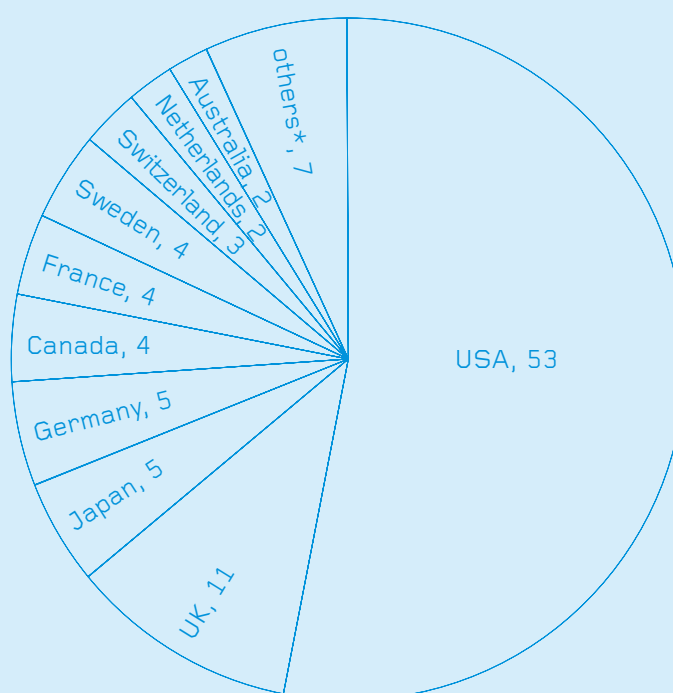
Of the nations with stronger research universities than economic capacity would suggest, nearly all maintain a higher education system consisting predominantly of public or quasi-public sector institutions, mostly doctoral universities, with the majority of funding from government. Superior research performance generally rests on capacity in 'blue sky' (basic) research and this depends on public funding and planning, especially if the goal is a broad-based research capacity across the whole national system as in much of Western Europe. Nations with a large proportion of teaching-only and/or private institutions tend to under-perform in research. Even the USA follows this pattern in terms of the breadth of its research capacity.

To round off this world-wide picture of research activity, note that Australia is a weak player in the world wide market in doctoral education. Though we have a massive number of international students, only 4.7 per cent of them are doctoral students compared with 10-20 per cent in many European nations and US and almost 10 per cent in the UK (OECD 2005: 272).

## IN SUMMARY, WHAT DOES THE GLOBAL COMPARISON ON RESEARCH SHOW US?

- > Research quality is the global standard for research universities. It is the basis for judging universities, like it or not, including their teaching. There is a good technical reason for this. Research provides objective (material) data that are a basis for homogenous comparison. That is not possible with teaching in one university let alone across international borders.
- > You can't get away with fudging it anymore. There's no point in claiming to be a "world class research university" if you have only two or three ARC Discovery Grants a year and you're not in the Jiao Tong top 500. No one will believe you. Now, if we claim on the advice of our marketing department to claim a role that we do not have, the market will quickly strip it from us. Either we deliver on the claim to be a "research university", or we move to another mission, where we are not competing with the whole of the world or with the upper reaches of the national system.
- > Having done so well in developing a strong export sector – the achievement has been quite extraordinary and says a lot about the capacities and qualities of Australian universities and their people, especially their executive leaders and their general staff - Australia is now suffering from the global comparison. We are newly vulnerable. The data from Jiao Tong is hurting, because they have re-positioned us and in the process have partly negated our old position-taking strategies. We used to say we were just as good as the other English-speaking nations, but cheaper and safer and with a better climate. So the differentiating factors were price, safety and location. Those days are over. Now research is the differentiating factor; and the message is that all of USA, UK and Canada are better than us. Canada, which fell behind Australia in the global market in degrees because its business approach was less effective – and perhaps also because of its climate – has been a big winner here.
- > The Jiao Tong data highlights the status and power of the universities at the top, the 'Superleague' as the Economist (2005) called it recently. Now policy makers in many nations are talking about the need to have a 'Superleague' university in their own nation; for example in Germany and the Netherlands.
- > In the same way, the growing visibility of the Superleague is feeding into pressures for further stratification of the Australian system. The notion of Australia having a couple of unambiguously top ranked universities has been one of the drivers of the Nelson reforms.

Figure 1. Number of research universities in world's top 100 by nation



\* One each in Italy, Israel, Denmark, Austria, Norway, Finland and Russia Source: SJTIHE, 2005

Table 2. National research performance compared to economic capacity

	Share of global economic capacity, 2004	Share of top 100 research universities, 2005	Share of top 500 research universities, 2005
USA	42.6	53.0	33.6
UK	4.6	11.0	8.0
Canada	3.0	4.0	4.6
Australia	1.7	2.0	2.8
Sweden	0.7	4.0	2.2
Switzerland	0.7	3.0	1.6
Germany	6.5	5.0	8.0
Japan	10.7	5.0	6.8
China	3.4	0	3.6

We have been brought back to the mainstream of higher education values. Worldwide people see higher education less as an industry than as institutions devoted to knowledge and people-formation, and a status market where people acquire social advantages. Students want degree status more than they want good teaching. The main indicators of institutional status are not institutional size, but selectivity and research performance. What Jiao Tong has done is provided this global status market with its performance measure, its differentiating agent.

Our very globally connected system here in Australia cannot screen out the effects of this new market wisdom. The shift towards research quality as the differentiating agent must impact our domestic system as well. So now we are competing again – “again”, because this was the case prior to the rise of the business model – on the basis not of student volumes and business acumen, so much as on more conventional academic criteria. In other words, for the future, the primary criterion, especially in the upper half of our system, is not the Graduate Destination Survey and employment rates, it's not the results from the latest version of the Course Experience Questionnaire, it's not student evaluations or 'teaching quality' or quality assurance, it's not asset management, or the balance sheet, or the size of the council, and the other competitive criteria dreamed up by policy makers, but research and scholarship. What is true globally is also true domestically.

#### AUSTRALIA'S GLOBAL POSITION IN THE CROSS-BORDER DEGREE MARKET

Let's now turn to Australia's position in the global market in degrees. There's some evidence that the Jiao Tong rankings have affected the standing of Australian universities in that market. Market research from Europe suggests that our claims to provide good quality universities are increasingly questioned, in relation to research, and also to what is seen as a factory approach to large international student populations. Market research from China suggesting that prospective students are now ranking our universities between each other on the basis of the Jiao Tong rankings. They are moving their preferences accordingly. The presence of Jiao Tong data changes the balance between position-taking and being positioned. The Jiao Tong data lock in consumer perceptions to an extent. These data increase the extent to which we are positioned, and reduce somewhat our scope for position-taking. It is not the blank canvas for marketing departments that it was. Some brush strokes are already in place, before the marketing department starts to paint its picture.

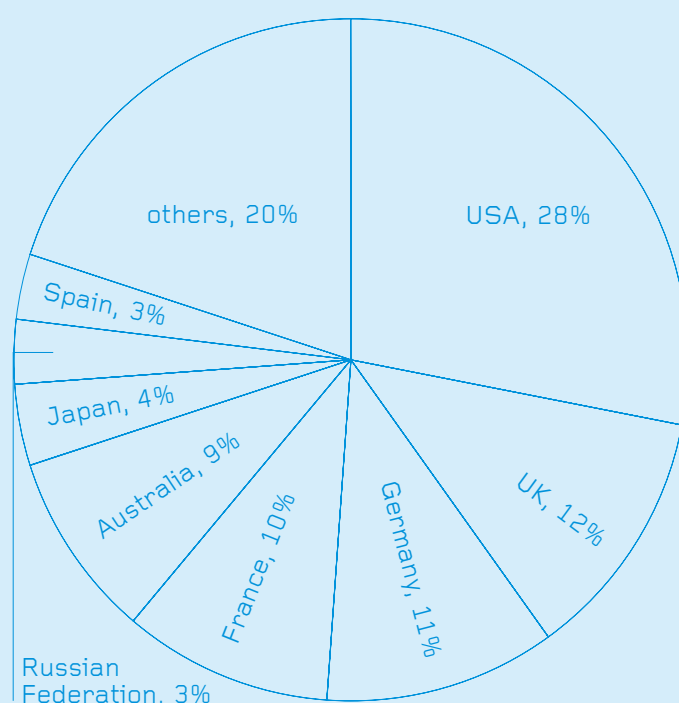
Jiao Tong has come on the scene at a time when the global market in degrees is becoming more competitive for other reasons as well. As well as more information for consumers, there are new providers on the block, and the rapid growth of the last decade (between 1998 and 2003 the total number of cross-border students in the OECD nations grew by 48 per cent) has slowed.

It is not yet clear whether the slowdown of mobility is temporary or permanent. Clearly there is a drop in the number of students from Middle Eastern nations and Muslim countries elsewhere who are entering the USA. It is not yet clear whether this trend is general to the English-speaking world – for example numbers from Indonesian entering Australia are falling, while numbers from the Middle East and from Malaysia are stable or increasing. US data suggest a fall-off in young Chinese students entering the US higher education system, and a particular problem in the recruitment of graduate foreign students, while OECD data suggest there are marked increases in the numbers of students travelling from both India and China at present. Increasingly, those two nations generate the largest part of global mobility.

China has also become a bigger exporter in its own right (100,000 plus), as has Malaysia and Japan. In future we will need to keep an eye on Taiwan and even Korea; and also the growth of English language programs in Europe, especially the Netherlands, Germany, Finland, Denmark and Sweden.

Australia constituted 9 per cent of the global market in tertiary education in 2003 and was the fifth largest exporter after the USA – whose share is declining – the UK, Germany and France (Figure 2, OECD 2005). This includes sub-degree programs.

Figure 2. Proportion of world's foreign students by export nation



Includes OECD nations and others that provide data to OECD, including the larger emerging national higher education systems such as China, India and Indonesia. Source: OECD, 2005, p. 254

Table 3. Leading importers of Australian higher education, 2004

China (PRC)	37,106
Malaysia	28,862
Singapore	28,290
China (Hong Kong)	27,461
India	16,320
Indonesia	11,316
United States	9522
Thailand	5824
China (Taiwan)	4533
Korea South	4409
Japan	4041

I think Australia is the third largest provider of degree programs, once Germany's data are discounted to remove the children of migrant workers who have yet to receive citizenship: children born in Germany, who are non citizens but not foreign students. The OECD data for 2003 note that 18 per cent of our tertiary students were international, the highest recorded level in the OECD. The DEST data for 2004 show that in higher education, we had more than 228,000 international students, 24.2 per cent of the enrolment (DEST 2005). This compares to only 25,000 in 1990.

China is now our major source nation, and India is on the rise. We are still tied closely to our traditional 'backyard' market in Southeast Asia where Australia is the most important exporter: Malaysia, Singapore, Indonesia, and to a lesser extent also Thailand (see Table 3).

International education seems to dominate the student profiles of some institutions; certainly their Business courses (see Table 4). Again, we see that the scale of the industry is remarkable. The largest US provider is the University of Southern California with 6647 students. We have 15 institutions above that level of international enrolment. A number of institutions take in more than 20 per cent of their revenues from this source, ranging up to almost 40 per cent at Central Queensland University (Table 4). The downside is that this is a very high level of exposure to a market where enrolments will not keep growing forever, may decline sharply and are already fluctuating between institutions.

What is happening to enrolments? The most recent full data available to us are for 2004 (DEST 2005, see Table 5). These show a further increase, 8 per cent. This is a slower rate of growth than in previous years, though compares favourably with the USA where there was a decline in the number of foreign students in tertiary education in 2003-2004, the first such decline for thirty years (IIE 2004).

In 2004, the number of international students entering Australia from Indonesia, Singapore and Hong Kong each dropped by about 5 per cent. Numbers from Malaysia were up slightly, while there was massive growth from China (37 per cent) and India (47 per cent). In 2005 it appears that commencements rose but only about 3-4 per cent, and there have been declines in some institutions. We await more data.

What does it all mean? What is happening in the global market in degrees? What are the implications for the positions of Australian institutions, and for their potential position-taking strategies?

> We are going through a sorting out period. The days of 15 per cent per annum, "our business Faculty has more money than it knows what to do with", and loose approaches to English language entry and preparation, are over. Bad for some.

> We must break our organisational and financial dependence on continuous growth.

> We will need to start "thinking small", not just in relation to a smaller, more competent and better prepared international enrolment; but in many institutions a smaller domestic enrolment as well, for demographic reasons and/or reasons of positioning-taking strategy.

> There might be some danger that we'll lose our exceptionally strong export position in Southeast Asia, in part to China, in part to import replacement, in part to mobility within that region itself, in part perhaps to Europe;

Without wanting to be unduly pessimistic, we will need to guard against a larger deterioration in Australia's position in the export market. There is a danger that the Jiao Tong rankings will combine with the continued policy-inflicted funding weakness of Australian institutions (I will discuss this further below), and the desperate "bums on seats" volume maximising strategies of some institutions, to push Australia down to a third tier, below the bulk of the UK system and Canada, and probably Singapore – to the market status currently occupied by Malaysia and China, but charging twice as much. This is a worst case scenario, but steps must be taken to head it off.

A related problem is that our strong institutions can be pulled down by the weak. We know from studies of choice that by and large, except in relation to universities in the Superleague, international students make choices on the basis not of institution but of nation. What prospective students are buying is not 40 different institutions it is one Australian higher education. So if there are a bunch of low entry-threshold bums on seats maximising providers and another bunch of research intensive institutions, and a third bunch trying to be a little bit of both, there's every chance that the lowest common denominator kicks in and bums on seats mob set the tone. Education has to be fail safe and if it is not fail safe in some universities then the whole system looks a bit shonky. It's the unforced error that loses this match, not the winners that win it, not unless you are in the Superleague. And right now we are not.

Therefore the main implication of all this for position-taking is that we must work to lift quality across the board. Generally we need to move from Michael Porter's volume strategy to his quality differentiation strategy. (And the paradox is that quality differentiation is becoming essential to preserving volume). We must lift real quality and be seen to be lifting quality. I did not merely say 'be seen to be lifting quality'. That has been our national strategy for ten years or so. It's been much cheaper to fund quality assurance than to fund a lift in the material conditions that underpin real teaching, learning, scholarship and research quality. And it's no longer working.

So how can we lift real educational quality, without waiting for OECD-standard levels of government funding (which could be long in coming)? I have a number of suggestions:

- get culturally closer to Asia, where every country is different. Learn languages, really integrate with Asian education systems, redesign programs with the understandings that this brings
- set higher IELTS levels
- police IELTS levels. Now this indicator is on the agenda, and performance is more transparent, we must be very careful to ensure standards
- move out of franchising, and restrain agents
- become much stronger on English language preparation and support. This is the key pedagogical issue, especially in East Asia. Unless we get more serious about building better skills and stronger standards in English in all our institutions, we are going to lose out to the other nations that have moved into English language programs, that can learn from our mistakes and trump our weaknesses, if we leave those weaknesses in place
- provide better student security and pastoral care.

#### NATIONAL STRATIFICATION AND POSITIONING STRATEGIES

I'll turn now to the Nelson reforms, and how these reforms (and particularly the stratification effects of these reforms) intersect with the global imperatives, competitive pressures and the tighter hierarchy in the global market.

Let's look back briefly at the system we have just left behind, the Dawkins system. In the Dawkins system we took every opportunity to grow because that is what the system settings told us to do. Maximise student numbers so as to maximise revenues, public and private: HECS places, later marginally-funded places, always privately-funded places and later nothing else. Despite the fact that public funding was going down, private funding let us live a continuous expansion and avoid the hard questions that come with a period of contraction. Growth created economies of scale, new facilities, new general staff divisions. Though it kept stretching our teaching capacity and it stopped a lot of institutions from getting serious about research.

Table 4. Largest Australian higher education providers of international education, 2003/2004

University and State	Number of international students 2004	Proportion of all university students 2004 %	International student fee revenues 2003 \$s million	Proportion of all university revenues 2003 %
Monash U (Victoria)	17,077	30.6	138.3	17.9
RMIT UT (Victoria)*	15,132	39.0	111.9	21.7
Curtin UT (WA)*	14,319	39.7	95.0	24.2
Central Queensland U	10,460	46.8	78.2	38.2
U South Australia*	10,257	31.5	49.1	16.0
U Sydney (NSW)	9,806	21.2	102.2	11.7
U New South Wales	9,481	23.5	118.6	16.0
U Melbourne (Victoria)	9,215	22.0	137.3	14.9
Macquarie U (NSW)	8,725	29.2	69.8	22.8
Charles Sturt U (NSW)*	8,429	23.5	12.3	6.0
U Southern Queensland	8,333	32.8	18.2	15.1
U Wollongong (NSW)	7,940	37.6	49.1	20.7
U Technology, Sydney	7,369	23.7	63.0	20.3
Griffith U (Queensland)	7,261	21.9	58.9	16.4
<b>Total Australia</b>	<b>228,555</b>	<b>24.2</b>	<b>1700.9</b>	<b>13.8</b>

\* more than 40 per cent of international enrolments offshore.  
U = University. UT = University of Technology. RMIT = Royal Melbourne Institute of Technology.  
Source DEST 2005

Table 5. Foreign students by nation of origin: Australia, 2003-2004

Nation of Origin	2003	2004	change 2003-2004 (2003=1.00)
China PRC	27,020	37,106	1.37
Malaysia	27,267	28,862	1.06
Singapore	29,878	28,290	0.95
China HK	29,169	27,461	0.94
India	11,133	16,320	1.47
Indonesia	11,865	11,316	0.95
USA	9,418	9,522	1.01
<b>Total</b>	<b>210,397</b>	<b>228,555</b>	<b>1.09</b>

Except for the sandstones, universities found that the quick way to differentiate, develop, strategise, take initiatives, employ bright new people and grow was not to leverage their academic capacity into research projects with possible medium term returns but to develop their business strategy. And there were many new business techniques on the agenda: marketing, acquisitions/mergers, off-shore colonies and partners, university-owned businesses, contracting out, performance management, internal competition, budget planning, line management and the rest. So the longer, slower but equally crucial task of building teaching and research capacity – which is the core capacity in relation to a business strategy, because it is in teaching and research that the core products are expressed; and it is here, especially in research, that institutional status are built – were neglected overall, except at ANU and in part in the sandstones. So while there was a great growth of business functions and non-academic staff divisions and people; and while the profile and organisation and even locations of some institutions changed greatly; the research hierarchy of institutions didn't changed much. The top dozen in 2005 are much the same as in 1985.

So what is different about the Nelson system? First, there is a major new source of revenues, additional to international students: net surplus generated full fee domestic student places underpinned by FEE-HELP. Not all institutions will be able to generate surpluses, and some will go the other way and attempt to build volume on the basis of bargain-basement full fee places, the old volume building strategy. This will mean running teaching more via a business model than an academic model – carrying the trend and the models of the last few years even further.

Second, the Research Quality Framework (RQF) will allocate both status and funding on the basis of research performance, to be assessed in part at least on the basis of research quality on the basis of disciplinary assessment. These will reinforce the main effects of Jiao Tong – domestically, too, research quality will play a key role in sorting the competition. This has something of a conservatising effect, because while new business strategies can be implemented quickly it's hard to move up the research hierarchy. It also reinforces traditional academic values. Bad news for some, welcome news for others.

Third, the other main element in the Nelson reforms is that FEE-HELP underpins the rapid emergence of a viable private sector. Note here that new private universities and colleges will have more self-positioning options than public institutions. The notion of 'teaching-only' private institutions makes sense, in various market niches. They could be traditional academic pastorally formative liberal arts teaching-only; smart and modern teaching-only with plenty of IT; small class intensive teaching teaching-only; vocationally focused teaching-only; specialist subject matter teaching-only; educationally progressivist teaching-only. It's very flexible. But a public university that goes teaching-only, discarding a research mission, loses status, . That's inescapable. Nevertheless, some will do it. They will try to build status outside the research university category, in another market.

The sandstones. As you can see, some public universities have more positioning options than others. The sandstones are the big winners. The more selective you are, the more full fee surplus you can earn. If the sandstones are wise they will put most of this surplus into research so as to build up their global position.

To position-take to maximum advantage, indeed to maximise full fee rates of surplus, the sandstones (the classic sandstones are the first universities in their state, Sydney, Melbourne, Queensland, Adelaide, Western Australia; and also Tasmania whose position is not as strong) will need to do more. They will need to downsize, further pushing up exclusivity; and to reduce teaching volumes to place more resources, time as well as money, into research development. The difficulty is that money is so short because of the state of public funding that this will be very hard to do.

The strategic constraint is this. When you cut student numbers, you don't cut infrastructure costs in proportion. You have to hope that the revenue gains down the track flowing from greater exclusivity and better research performance will make it worthwhile. But in the Nelson system there are caps on the full fee market, on the number of places and the level of FEE-HELP debt. These caps tend to block risk taking of the downsizing kind. So the sandstones find themselves forced to hold onto their HECS places while adding on full fee places. They find themselves getting bigger, again, rather than following the global strategic logic of downsizing and shifting a much higher proportion of enrolments into HDR.

Except for the sandstones, universities found that the quick way to differentiate, develop, strategise, take initiatives, employ bright new people and grow was not to leverage their academic capacity into research projects with possible medium term returns but to develop their business strategy.

It is hard to see how Melbourne and Sydney with 40,000 (or 50,000!) plus enrolments and a growing commitment to undergraduate education can position themselves for the world's top 50 in the longer term. Queensland is also getting large; and Monash and NSW, which start from behind Melbourne and Sydney in the elite university stakes, are also big, especially Monash which already has well over 50,000 students. Only WA and Adelaide, which have kept at a more modest size, and of course ANU with its small complement of undergraduates and its large research schools with special federal funding, start the Nelson system with a favourable profile.

Another strategic need of the sandstones is to strengthen their position as a global research magnet by offering more research degree places and scholarships to both domestic and international students. But without more APAs and especially more public support for international HDR students this is very difficult to do. Philanthropy could help, and the effort to raise donor funds is being made across the country. But is there wealth out there to support a sudden increase in donations on the scale required? The problem here is that to move up the research rankings quickly, say to move into the top 100 in the world if not already there, and then into the top 50, our leading elite universities have to undergo development of the kind that took generations in North America - and to undertake solely on the basis of private income, development that in the US has been supported by both public and private income. Without much better public funding than they currently receive it simply can't be done.

The rest. As noted, some institutions will opt to build volume using a business model and will quietly forget about a real research mission (how long will it stay on the books?). One difficulty here, especially given that they will be given no extra public money to make the transition to a high quality teaching-only model, is that they will need international revenues more than ever. But in the international market they face a problem of declining or at least questionable prestige because they are outside the main research game. Meanwhile a third group of IRUs and ATNs finds itself stuck in the middle, with significant areas of research strength, and in some cases a genuine commitment to a comprehensive research mission at the top end, but without the resources and prestige to take the sandstone path. Again what cruels the IRUs and ATNs - especially the former which were always highly public funding dependant - is federal fiscal policy on higher education. Let's look at that for a moment.

#### WHERE'S THE MONEY COMING FROM?

The latest edition of the OECD's Education at a Glance (2005) explains that Australia is unique among the 30 OECD nations and the 20 or so other countries that the OECD includes in the comparative data. Between 1995 and 2002 many nations increased the private income of tertiary education institutions; in Australia the increase was 78 per cent. But Australia was unique in that it also reduced the public income of institutions, by 8 per cent, and at a time when the number of students rose by 31 per cent (Table 6).

#### SAYS THE OECD:

'It is notable that rises in private educational expenditure have not generally been accompanied by cuts (in real terms) in public expenditure on education at the tertiary level... On the contrary, public investment in education has increased in most of the OECD countries for which 1995 to 2002 data are available, regardless of changes in private spending. In fact many countries with the highest growth in private spending have also shown the highest increase in public funding of education. This indicates that increasing private spending on tertiary education tends to complement, rather than replace, public investment. The main exception to this is Australia, where the shift towards private expenditure at tertiary level has been accompanied by a fall in the level of public expenditure in real terms (OECD 2005: 193).

In the outcome, over 1995-2002 the number of tertiary students in Australia increased by 31 per cent; total public funding of tertiary institutions dropped 8 per cent; public funding per tertiary student dropped by 30 per cent, and although total private funding rose by 78 per cent; total expenditure on education institutions from all sources, per tertiary student fell by 7 per cent (OECD 2005:175, 187).

In terms of the global market, there was a massive growth of international students in a higher education system where overall resources, particularly for teaching, learning and research purposes - in other words, the material base that underpins the academic quality and global competitiveness of institutions - were being thinned out. Yet at the same time Australia's financial dependence on the global market increased.

In terms of local students, the material underpinnings of quality likewise were in decline, despite the rise in private income, including HECS. Local students were paying more per head but receiving less for it, compared to the mid 1990s and more so compared to the mid 1980s. Not only was there less money per student in total, there were more expenses. Much of the new private income was being ploughed back into the costs of marketing, and the new facilities and services associated with the costs of competition and revenue-raising on and off shore. So student-staff ratios shot up from 15 to 1, to 20 to 1. The fiscal settings have been just madness.

Now in the Nelson system there is new public money, but it is being used to underpin the costs of tuition, through the effective public subsidies at the base of FEE-HELP and HECS-HELP. It is being used to support students rather than institutions, in the classic voucher model: this is great for an emerging private sector - which will swallow up a lot of the new public funding support over time - and it is sustaining enrolments in the public institutions. But because it goes to students not institutions it can't stem the tendency to declining quality; except in the institutions that can earn significant surplus from full fees (and even there, they are restricted by the caps on the market, by the natural limits to a FEE-HELP market while HECS remains the most significant element, and by constraints on aggregative growth if they want to be world competitive). And where will universities like the strong ATNs, which did so well in the Dawkins system to upgrade their domestic provision and turn themselves into global players, find additional money in the Nelson system? They won't.

I think that the combination of extreme fiscal scarcity, plus the Nelson reforms, is setting up the system for a transition to a comprehensive regime of high tuition charges underpinned by FEE-HELP, a high fee high aid model along American lines. If there is no new injection of public funds at scale, it is hard to see how the vestiges of the present standard cost HECS can be preserved. In such a comprehensive full fee system institutions would be able to name their own prices. So more would welcome it than just the sandstones, even though only the sandstones would clearly come out well. Government funding would make the full transition from direct grants to student loans funding (vouchers), plus a few student scholarships and of course research funding - just as is suggested by the common global policy ideology.

Table 6. Trends in the public and private funding of tertiary institutions, OECD nations\*, 1995-2002

Nation	Total public funding 2002 1995=100	Total private funding 2002 1995=100	All funding (public/private) 2002 1995=100	Student numbers 2002 1995=100	All funding (public/private) per student 2002 1995=100
Spain	155	140	151	115	132
Denmark	134	482	136	105	129
Mexico	158	221	172	142	121
Italy	131	174	139	108	121
Japan	119	121	120	102	118
Austria	106	239	111	94	118
France1	115	103	114	97	117
Chile	137	189	176	151	116
Germany	108	129	110	100	110
Finland	116	n.a	118	113	104
Netherlands	106	n.a	110	107	103
Portugal	128	337	135	132	102
Hungary	158	174	161	161	100
UK	106	165	118	118	100
Australia	92	178	122	131	93
Slovak Republic	132	406	149	177	84
Czech Republic	144	52	118	170	69

Note: only nations for which full or almost full data are available are included in table. Data for USA, Canada and New Zealand are not available. Includes Chile which is a non-OECD nation. Data for Norway omitted as OECD tables are contradictory  
Source: OECD 2005: 175 & 187

Meanwhile the situation is tough, especially for the non sandstones. We all have to get real about mission, about position-taking strategy. I want to emphasise two points:

1. There can be only a small number of truly research intensive universities in Australia, essentially the existing ones with maybe one or two more over time (that's unless there is a sizeable injection of new public money along the lines of Canada in the 1990s with its 2000 new research chairs). The research stairway is steep! See Figure 3;

2. We have to stop mixing missions. This is a key part of my 'think smaller' message.

Why do we have to stop mixing our missions, why do we have to stop trying to be all things to all people? First, the government no longer provides extra funds to help universities to position themselves as an ever-growing conglomerate, as it did (selectively) in the 1987-1993 period especially; and the per capita rate of public funding no longer provides room for both teaching and research functions. The idea that 30 per cent of the operating grant was for research functions is long dead!

Second, the logic of scarcity, plus firmer formal and informal research tiering, must dictate specialisation. It takes a lot of resources to be really genuine about the research intensive mission, in universities that haven't achieved it before. (And remember that less than genuine research intensive missions will be increasingly transparent and will be punished short term and long term in the competition for reputation). It means moving resources out of part of teaching and out of some general staff functions – it may mean closing whole general staff divisions. It means getting smaller, it means redundancy packages. That's inescapable.

If the intensive research mission is not a goer, and you can't be a "half research intensive university", the best move is to cut the effort to become research intensive and to change the formal mission and conscious position-taking strategy accordingly. And instead, to focus on servicing the teaching market and the customers in the teaching market as well as possible, joining that to community service, industry and professional links and some applied and industry-focused research.

The only problem with that position-taking strategy is that the current level of international enrolments might be more difficult to maintain at an adequate level of quality (given the positioning on research status that is underway). On the positive side it might be possible to develop pockets of full fee income from local students in niche professional areas. If this is the position-taking strategy, then to pretend to be a serious research player only exposes the institution to negative referencing that will harm its local, national and global position in the market for teaching.

Third, the logic of market competition and branding, especially in the global market, dictates the same requirement for specialisation. As Allan Luke put it on Four Corners (ABC TV, Australia) earlier in the year:

"You get where you niche yourself – you get where you pay for... You can take these student markets as naive, but they're very smart, so if you are going for big undergraduate numbers and accepting people with limited secondary graduation credentials, you can't turnaround to a government or another university and say "You know we're really a top end bio-technology operation"... The market knows which of the universities actually has serious research capacity in what areas. The best PhD students will go there. The best scientists will migrate there. So you can't grab bottom market share and then turn around and expect to have credibility as a research university... it's pretty tough to send out mixed corporate messages about your branding" (Luke 2005).

So what are the options for position-taking in the Nelson system? Of the eight missions listed in Table 6, only three are clearly viable at present:

- > Number 1 for the lucky few who have made it already, and maybe under the present system settings, one or two more who could claw their way into the elite group;
- > Number 5, a few public institutions are there already and private sector aspirants will appear, some perhaps using a fully commercial approach, like the University of Phoenix;
- > Number 8, though for historical reasons (and only for those reasons) it is a model much more viable in the private sector than the public sector.

The lack of small specialised institutions was a weakness of the Dawkins model. From the mid 1970s onwards the bias of policy makers was against small specialised institutions, for reasons of modernisation, and economies of scale, and also because larger institutional environments provided maximum cross-disciplinary fertilisations (i.e. economies of scope).

The lack of small specialised institutions was a weakness of the Dawkins model. From the mid 1970s onwards the bias of policy makers was against small specialised institutions, for reasons of modernisation, and economies of scale, and also because larger institutional environments provided maximum cross-disciplinary fertilisations (i.e. economies of scope). Successive rationalisations mopped up most of the small arts, media, agriculture, teacher-training and other specialised institutions although smaller theological colleges and others survived in the private sector.

Arguably, some forms of education are better pursued in autonomous specialised institutions without the encumbrance of the larger bureaucracy and its standardised systems and performance requirements and bottom lines often at variance with the goals and culture of the specialised area – providing that the specialised institution is like, say NIDA or some of the Conservatoriums, and does a very good job. Advanced business education or technical training in some fields might also be very effectively pursued in specialised institutions. The reason why such institutions are more likely to develop in the private than the public sector is that it is difficult for public institutions to downsize that far! It is possible that in future some media, the arts, agriculture, advanced business and other units might break away from the public institutions: no doubt, though, this would be messy for both parties.

### CONCLUDING REMARKS: SOME STRATEGIC QUESTIONS

The picture I have painted is in some respects quite bleak; the options are all tough and painful and even the sandstones are restrained by the extreme scarcity of public funding in their capacity to set a more viable mission. Some of you know me will realize that the developmental scenarios I have described in some respects work against my preferred policies and personal values. A system that in key areas is closing up (at least in terms of social access and participation) rather than opening, is perhaps not as well fitted for the tasks of democratisation and a cosmopolitan culture.

Those of us committed to the democratic mission in a globalising world will need to find ways of leveraging engagement and transparency – positive practices that are foregrounded in this environment – so as to secure the continuing public openness of our best universities; and develop a more productive relationship between research/ scholarship on one hand, and the advance of broad social capacity on the other. Amartya Sen's excellent book *Development as Freedom* (2000) discusses ways in which the democratic process can be brought to the strategic centre of a globalising world in which market exchange is one principal medium of human relationships.

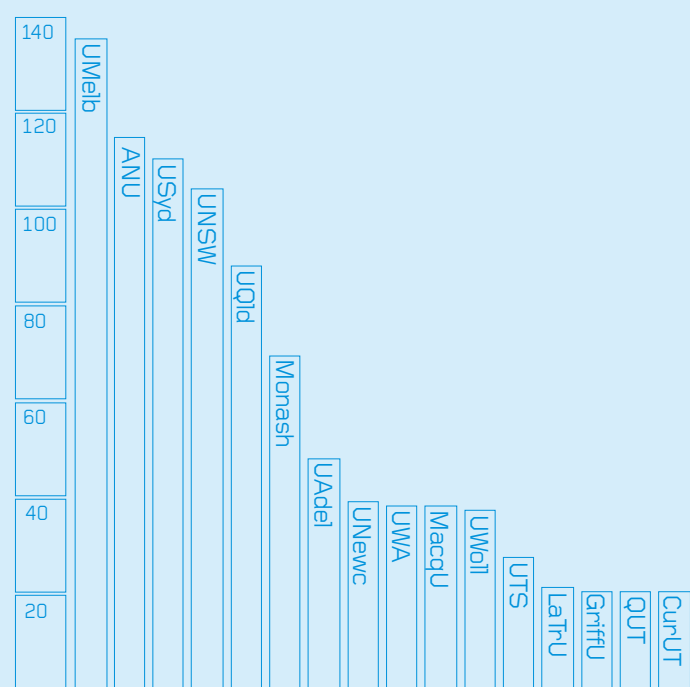
Of course, the positive asset that all Australian institutions have is their people resources. Universities achieved amazing things in 1985-2005, particularly in institutional mergers and modernisation (incomplete across the system, but profound and successful in many institutions), and in the global market where the achievement of many universities, and of the system in aggregate, was quite staggering. It is harder to achieve amazing things in a period of extreme scarcity and in some cases, contraction, than a period of continuous growth. Australians are good at leveraging growth by adding new things to the mix, but not as good at developing a wholly original new strategy and replacing the old things with new things. On the other hand, the generational change constituted by the exit of baby boomers in the 2005-2015 period, especially the turnover in the academic ranks, constitutes a great chance to bring in new people resources on a large scale and so innovate more profoundly in programs and research roles than we did in the 1985-2005 period.

There are some questions about the future that to some extent are open. What will be the final form of the RQF? Will it be stratification on the basis of research quality all the way, the triumph of the sandstones, or will the policy and funding formula be modified so as to provide for positive discrimination in favour of the IRUs to stabilise and strengthen a research intensive role there; and/or positive discrimination so as to strengthen research in some or all of the ATNs and the other post-1987s?

Another question is whether, after all, I am wrong: perhaps creative organisational structures can be devised that would somehow allow institutions to loosely couple functions so as to have their cake and eat it too; to be research intensive (in part at least) and also maximise revenues for teaching? No doubt many good minds in executive leaders' offices are thinking about this right now. The habit of trying to be all things to all people is a hard one to break, we are all addicted to growth, and the alternative, redundancy packages, is difficult to contemplate in our sector.

Frankly (and this again is a tough message) I strongly doubt it can be done. I believe that Allan Luke is right, and global market forces dictate that you cannot mix brands in the university sector. Mercedes or BMW can run a line of cheaper versions of the brand without diluting the prestige appeal of their top of the line models; though note that even in the car industry it is a risky strategy. But higher education is a different industry. Unlike the car industry, if too many prestige places are sold, the value of each place becomes diluted, because social scarcity itself is the very good that is being marketed. If you have a large enrolment with low entry threshold it's not possible to also be a genuine high prestige research player. Or at least, though all would like to obtain more revenues, no university has succeeded in doing it yet.

Figure 3. Distribution of new ARC Discovery Grants in 2005, by institution



Source: Australian Research Council

Table 6. Position-taking options in the Nelson system: note that some more viable than others

Lucky 8 missions	Comment	Examples of possible players*
1. High status intensive research U with global aspirations	Viable model. Limited spots. 'Many are called but few are chosen'	Melbourne, Sydney etc
2. Specialised research institution with no coursework teaching	Might become viable institutional model in Australia in long term	[CSIRO], ANU
3. High volume teaching U with some strong niche research areas	Very popular idea, internal resource tensions, now harder to sustain	QUT, Curtin
4. Smaller sized teaching U with some strong niche research areas	More viable than 3. But on-going struggle to secure status	James Cook, Bond U
5. High volume teaching U with little or no research activity	Viable model. Many spots. May be many private sector aspirants	CQU, Edith Cowan etc
6. Smaller regional teaching U with little or no research activity	Difficult cost structure, more public funding dependent than most	Southern Cross UNE
7. High status liberal arts college, teaching only	Viable in long term? If so, primarily in private sector	[watch this space]
8. Specialist institution in arts, music, media, agriculture, business, distance, education, etc	Viable model, mainly private sector. Many spots. Aspirants will emerge	[watch this space]

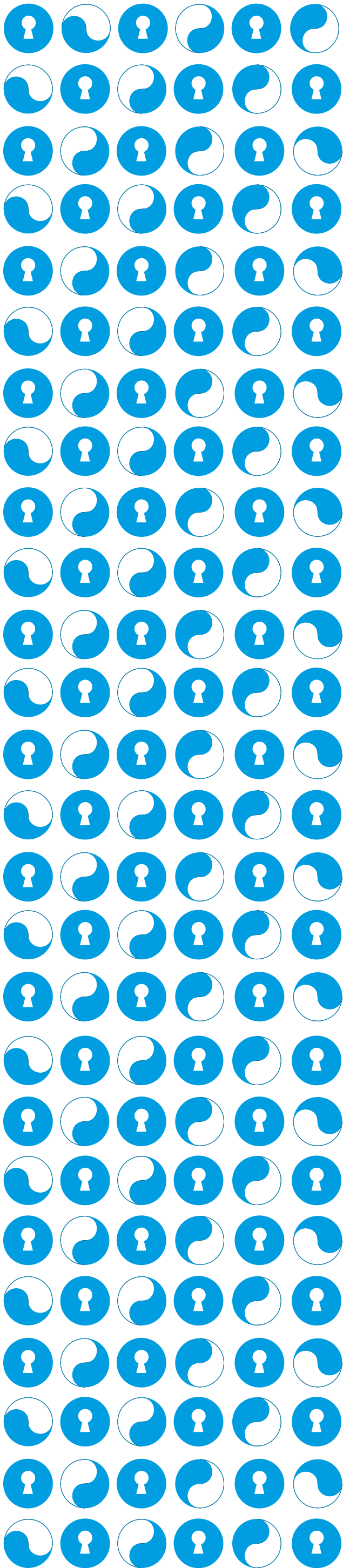
\* in some cases this is highly speculative, and only the author is responsible, especially for column 3! Number 5, a few public institutions are there already and private sector aspirants will appear, some perhaps using a fully commercial approach, like the University of Phoenix; Number 8, though for historical reasons (and only for those reasons) it is a model much more viable in the private sector than the public sector.

A third question is about whether an Australian university can enter the Global Superleague, the top 30 or so, as many universities in many nations will now be trying to do. I think the answer is “probably, yes”, we are wealthy enough as a nation to match say Canada (Toronto is at 24) and our best universities are already halfway there. We would need more research groups that are unambiguously front rank. The bottom line is that for a university to make it that far it would need time and it would need a special funding deal for research and doctoral training as ANU has; on a greater scale than ANU has it now. It is inconceivable that an Australian university could leverage itself into the world's top 30 solely through income from full fees, research grants and some increase in philanthropy and corporate funding.

No nation anywhere in the world outside the USA or Oxbridge could do this; Oxbridge has a 900 year history, even in the USA it takes generations to build a front rank research university. There is much more philanthropic and corporate money in the US than Australia will ever have. So if the nation wants Superleague universities the nation must pay. If the present ANU grant to the Research Schools was doubled or tripled it might be able to take the next step. If one of the sandstones was funded accordingly, probably with a different structure to that of ANU, it could do the same (one difficult policy question is deciding which one should be so designated!). Specialised funding on the ANU scale could bring Melbourne close to the top 50 and bring Queensland, Sydney and perhaps more universities into the top 100 at least. It could be done, but a decision to establish special funding arrangements for some research university would require considerable policy acumen and courage.

Finally, there is potential for individual institutions to get smarter about the way they configure the relationship between teaching and research. This could create stronger position-taking options, and perhaps allow some strategic flexibility, not least by postponing of the moment of reckoning on the research role. The teaching-research nexus is an attractive professional ethos, and also looked administratively smart – promising economies of scale and scope – before teaching loads went through the roof in most academic units. Now, the teaching-research nexus simply preserves a vast number of shallow rooted if not nominal “research” positions that don't deliver and will never deliver in this resource and policy configuration. The time has passed.

The smart move now is to expand the number of research-only positions, along the lie of ANU and also Queensland. A much bigger dedicated research capacity speeds the path to the Jiao Tong top 100 or 50. It also enables the middle level players to maintain a limited but deep capacity in research alongside their teaching functions (though this does not constitute a research intensive function across the board). And it is a mechanism allowing weaker universities to preserve some 'island' connections to research and hence also to advanced training for the professions and industry.



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