STATEMENT TO COMMONS

Mr Speaker,

With your permission, I wish to present to the House this afternoon the Government’s proposals for the future of Higher Education in England. I want to begin by thanking my colleague, the Honourable Member for Barking and Dagenham, and my officials at the Department for the excellent work they have done in preparing this White Paper.

I start by stating that our Universities are a great success story. Their record on research, on provision of higher education opportunities for hundreds of thousands of young people, and on linking university research to economic achievement is outstanding.

That record of achievement is acknowledged in a financial settlement for the next three years which is better than any in recent years and which I announce today in my letter to the Higher Education Funding Council of England, which I am placing in the Library of the House.

I want to express my appreciation to the Chancellor of the Exchequer for this excellent settlement which provides an average 6% per year increase in real terms funding over the period of the Settlement. I know that the settlement represents his personal commitment to this vital sector of the economy. The Settlement means that every part of the University world will be able to plan for the next three years in confidence on the basis of a secure future funding stream which is substantial and generous.

However, as we would all acknowledge, our Universities need to be able to generate still more resources, whether they come from the state, individual students, alumni or employers. I address these points later on, but it is a central point of this White Paper to acknowledge that students’ share of the overall costs of University education will increase.

That said, however, this House needs to understand, as our Universities do, that they exist in an increasingly dynamic and an increasingly competitive world. In our White Paper, we set out the nature of that dynamism and the nature of the competitive challenges we face.

First, our universities have to make better progress in harnessing our knowledge to the process of creating wealth.

And, second, they have to extend the opportunities of higher education to all of our population, irrespective of their personal and economic background.

This White Paper attempts to fulfil both ambitions.

Despite the attractions of inaction – which have perhaps too often led past Governments to avoid facing up to important challenges - this House needs to acknowledge that coasting along, basking in previous successes and shirking the need for reform offers no robust future for our universities.

We need to acknowledge that a University system which caters for 43% of the age group will be intrinsically different from one which provided for 20% in 1990.
We need to face up to the fact that international competition from world-class universities in the USA and the growing competition from institutions in China and India, changes the terms of trade for the UK’s great historic Universities.

The world of one single employment from 16 or 18 to 60 or 65 is gone for ever. Our Universities have the principal responsibility for helping our working population adjust to the future.

In this increasingly competitive economic world knowledge is all-powerful and so effective working relationships between universities and both private and public sectors are increasingly significant.

In short, in a world of accelerating change, we all need to understand that our society’s principal weapon in ensuring that we master change, rather than surrendering to it, is our education system, and principally our Universities.

As a result of this we say that our Universities have to identify more clearly than they do now the way in which they address the great missions on the basis of which they were created.

Those missions are research, knowledge transfer and, perhaps most important of all, teaching.

These are the central themes of this White Paper, and we start from the basis that over the years the emphasis on research has, for understandable reasons, been at the expense of teaching and knowledge transfer.

So on research we argue that we need still more focus upon world-class research. We state that the funding regime should encourage research collaboration, should promote research concentration and should strengthen the highest world-class research in the country. The White Paper sets out how our research funding regime will meet those aspirations.

It means giving extra resources to our very best research departments and world class universities as well as ensuring new research will emerge and flourish.

Though I have decided not to seek to remove research-degree awarding status from some Universities, it does mean that research evaluations will be increasingly rigorous.

And we will create a UK-wide Arts and Humanities Research Council to ensure that funding for Arts and Humanities is given the status it deserves.

For knowledge transfer this approach means an increasingly intimate relationship between my Department and the DTI.

Both my Right Honourable Friend, the Secretary of State for Trade and Industry, and myself know that we can’t address innovation without addressing skills, we can’t address enterprise without improving the relationship between universities and business.

That is why my Right Honourable Friend, the Chancellor of the Exchequer established Richard Lambert’s review of the university-business relationship and that is why this White Paper commits the Government to setting up a network of Knowledge Exchanges, primarily focused in Universities which are not research-intensive, to develop this relationship.

We have to crack the real British disease – which is that our world-class intellectual research is exploited by competitors from other countries but not ourselves – and make sure that we lead the process of knowledge transfer from research to business both nationally and regionally. A far closer relationship between Universities, the Regional Development Agencies and the new
Sector Skills Councils is necessary and the White Paper sets out ways in which this can be achieved.

But the main function of universities must be what is always should have been – high quality teaching.

Today, I am pleased to announce that the Government is giving a far stronger focus to teaching, a focus which is reflected in a significant stream of resources within the funding settlement.

We will publish an annual comprehensive student survey of university teaching standards, overseen by HEFCE and the National Union of Students.

We will establish new national professional teaching standards, establish new centres of teaching excellence and target pay resources to those Universities which reward high quality teaching.

And in addition we will recognise excellent teaching as a University mission in its own right by making the award of University Title dependent on undergraduate teaching degree awarding powers only.

Let there be no mistake. All Universities will, in future, be judged by their teaching achievement as much as by their research attainment. The days of great research accompanied by shoddy teaching are gone.

So, Mr Speaker, it is research, knowledge transfer and teaching which are our Universities’ historic missions.

Every single University has to make a frank assessment - and publicise that assessment - of its own strengths in addressing each of these missions. Drift will not be acceptable.

The real truth is, and let’s acknowledge it, that some Universities are strong in research, others in teaching and still others in knowledge transfer – some in two or all three. Let’s not pretend that all universities are somehow the same. Let’s tell the truth to the people of this country who pay for Universities and want their children to benefit from them. We already have a multi-tiered University system.

On the basis of this frank assessment, we need to decide what proportion of the age group we wish to encourage into university education.

I want to confirm today that the Government’s target remains, as we set out in the Department’s Public Service Agreement published in 2000 and reaffirmed in last summer’s Spending Review settlement, to increase participation in higher education towards 50% of those aged 18-30 by the end of the decade.

That target is essential because the economic future of the country depends on that level of education and training. We live in an increasingly competitive world, within the European Union and outside. I do not understand those who claim to speak in the national interest but do not acknowledge the importance of this target.

However, such a level of participation requires us to re-examine the nature and range of degree courses which we offer. We believe that the bulk of the increase in degree student numbers, from its current proportion of 43% of the cohort, should come from 2-year vocational foundation degree courses – a major contribution to the skills and productivity agenda of this country. I believe that the Further Education colleges, which now provide 11% of this country’s higher
education, have a major contribution to make here.

I am pleased to tell the House, Mr Speaker, that a range of employers including, in the public sector, my Right Honourable Friend, the Secretary of State for Health and the Home Secretary, as well as myself, are ready to make such a commitment in principle. I also believe that major private sector employers will welcome and participate in this initiative.

But the guts of my proposals today come in the field of access.

The social class gap among those entering higher education is a national disgrace. Thirty years ago students received full grants and there were no tuition fees. Despite this students from middle class backgrounds were three times more likely to go to university than those from poorer backgrounds. Over the thirty years the numbers going to university have more than trebled but the gulf in access has remained the same.

This vicious statistic has to be reversed, though we should in truth acknowledge that this is long and difficult process. The elements are clear:-

- We have to improve dramatically the quality of school and college level education in our most disadvantaged areas. That is the centre of the strategy for 14-19 education announced yesterday by my Honourable Friend for South Shields;

- We have to transform University access and admissions criteria so that Universities make a genuine and balanced assessment of the potential of every candidate

- We have to ensure that Universities address the access issue. I propose therefore to establish an Access Regulator working with HEFCE, who will ensure that any University that wants to increase its tuition fee has rigorous admissions procedures, provides bursaries and other financial support and work directly with schools in every part of the country to promote the aspiration of a university education. The regulation will be tough and I believe most Universities will welcome this initiative.

- We have to create a diverse University sector which welcomes applicants from all parts of the community, by a range of different routes. That is one of the arguments for a sensitive fees regime. And it is why we are raising the ‘postcode premium’ which gives extra money to universities who teach and support students from disadvantaged backgrounds.

- And finally we have to create a financial regime which encourages access.

This last brings me to the final chapter of my White Paper, which deals with student finance.

First of all, we should face up to the truth that genuine University freedom comes through building endowment, rather than any other device.

Universities in this country need to build up endowments. There are already substantial incentives for both individuals and corporate bodies to donate to universities but they are not sufficiently understood and used. The White Paper sets out how as a matter of priority we will promote this for graduates, institutions and government.

Promoting endowments is the right long term strategy but it will inevitably take many years to build up substantial funds. The spending settlement addresses the short term needs but Universities must have funding streams that are sustained.

The Government will remain the major funder of higher education. But the history of the last 50
years or more, under Governments of all colours, shows the problems when Universities have
to compete with other priorities, from nursery schools to health. If they have to rely solely or
mainly on public sector resources the result is pressure on staff/student ratios, capital
investment and innovation. We cannot risk slipping into that sort of decline

As countries throughout the world have discovered, requiring students to contribute to the cost
of their education is the only realistic alternative.

That has the merit of justice. On average graduates earn fifty per cent more than non graduates
over their lifetime. I believe that it is only fair for students to make some contribution to the costs
of the education which gives them significant economic benefits. The alternative funder, the
general taxpayer, is entitled to ask in comparison what financial support they have received
from the Government to assist their personal educational ambitions.

That is why the White Paper I present today follows this approach. My student finance
proposals:-

- allow Universities to vary their fees between £0 and £3,000 a year from September
  2006 onwards. I remind colleagues that the figures I propose are significantly less
  than some of the early suggestions. The £3,000 cap will be in place for the whole of
  the next Parliament, rising only in line with inflation. Only those universities that
  have satisfied the Access Regulator will be allowed to increase their fee.

- Restore a grant for students from the poorest backgrounds. From September 2004
  students whose families will earn under £10,000 will receive a £1,000 grant, with a
  proportion of that paid up to family income of £20,000. 30% of students will get the
  full £1,000 grant.

- Abolish from 2006 the requirement for any student or their family to pay a fee before
  or while they are studying. Deferred fees will be paid after students graduate
  through the tax system, linked to a student’s earnings and ability to pay. And I can
tell the House that as with the existing student maintenance loan NO interest will be
  charged on deferred fees. Any sums outstanding will only be adjusted for inflation
  so students only pay back the real value of their fee and maintenance loan.

- Continue to exempt around 60% of students from some or all of the first £1,100 of
  fees, in the same way we do now.

- Raise from April 2005 the threshold at which graduates start to repay their fees and
  loans from £10,000 to £15,000. This change delivers a saving of £450 per year
  which will particularly help graduates when their earnings are lower in the early part
  of their careers.

- Review the level of the maintenance loan and operation of the parental means test
  for loans as part of the next Spending Review.

Mr Speaker, these student finance proposals will affect different students, potential students
and their families in different ways. It remains the case that the British system of student
support will be among the most generous in the world.

Mr Speaker, the fact that we are asking individual students to contribute, albeit after they have
graduated, does mean that their potential debt is increased and this could act, without the wider
package of reforms I have introduced, as a disincentive. I believe that, taken as a whole, my
student finance package is positive for access to universities and will re-enforce the other
measures on access to which I referred earlier.
Mr Speaker, as I said at the outset, the White Paper which I published today represents a massive step forward in equipping our Universities to meet the challenges of the future. They will take their rightful place of the dynamo of economic progress and social justice.

We need now to take the necessary action to put these proposals into effect. I commend them to the House.

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