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SENATE

EMPLOYMENT, WORKPLACE RELATIONS, SMALL BUSINESS AND EDUCATION LEGISLATION COMMITTEE

Reference: Innovation and Education Legislation Amendment Bill 2001

MONDAY, 25 JUNE 2001

CANBERRA

BY AUTHORITY OF THE SENATE

WITNESSES

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SENATE

EMPLOYMENT, WORKPLACE RELATIONS, SMALL BUSINESS AND EDUCATION LEGISLATION COMMITTEE

Monday, 25 June 2001

Members: Senator Tierney *(Chair)*, Senator Carr *(Deputy Chair)*, Senators Brandis, Collins, Ferris and Stott Despoja

Participating members: Senators Abetz, Allison, Boswell, Brown, Calvert, George Campbell, Chapman, Coonan, Cooney, Crane, Crossin, Crowley, Eggleston, Faulkner, Ferguson, Gibbs, Gibson, Harradine, Harriss, Hogg, Hutchins, Knowles, Lightfoot, Ludwig, Lundy, Mackay, Mason, McGauran, O'Brien, Payne, Schacht and Watson

Senator Brandis for matters relating to employment, workplace relations and small business

Senators in attendance: Senators Brandis, Carr, Collins and Tierney

Terms of reference for the inquiry:

Innovation and Education Legislation Amendment Bill 2001

Committee met at 11.05 a.m.

ANDRUSKA, Ms Aurora Kristine, Assistant Secretary, Schools Resources Branch, Department of Education, Training and Youth Affairs

EVANS, Mr Christopher John, Assistant Secretary, Budget and Coordination Branch, Schools Division, Department of Education, Training and Youth Affairs

GALLAGHER, Mr Michael Austin, First Assistant Secretary, Higher Education, Department of Education, Training and Youth Affairs

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MUTTON, Mr William Raymond, Assistant Secretary, Funding Group, Department of Education, Training and Youth Affairs

WEDDELL, Ms Di, Acting Assistant Secretary, Literacy and Special Programs Branch, Department of Education, Training and Youth Affairs

CHAIR—I declare open this public hearing of the Senate Employment, Workplace Relations, Small Business and Education Legislation Committee. On 23 May 2001 the Senate referred the Innovation and Education Legislation Amendment Bill 2001 to the committee. The committee is due to report on 28 June. Before we start taking evidence today, I wish to state for the record that all witnesses appearing before the committee are protected by parliamentary privilege with respect to their evidence. I welcome all observers at this public hearing and I welcome representatives of the Department of Education, Training and Youth Affairs. I now invite any officers at the table to make a brief opening statement, if you wish. Perhaps I will start: could you explain how the Innovation and Education Legislation

Amendment Bill that we are considering seeks to strengthen Australia's skill base, and in what areas?

Mr Gallagher—This bill gives effect to a range of measures that the government announced in January of this year in a statement made by the Prime Minister entitled *Backing Australia's ability* which signalled a substantial long-term investment in research and development and in the skilling of people for the emerging knowledge economy. The centrepieces of that package involved a doubling of the funds available for competitive research grants allocated through academic peer review on the recommendations of the Australian Research Council, the council itself having been enhanced to play a more strategic role. It also included an investment in 2,000 additional places, particularly to meet skill shortages in the areas of maths, science and IT. It included a new equity measure to provide income contingent loans for students undertaking postgraduate studies by course work, which was designed to encourage individuals to invest lifelong in their own learning and, by the improved supply of graduate labour to the work force, to enhance the underpinning skills base for the economy. There was also a serious investment in research infrastructure both for systemic infrastructure such as library acquisitions and for laboratory equipment, computing equipment—all that underpinning the research capability of academic staff and research students in the universities. There was also a provision relating to skills matters included within this general bill. The broad intent is to shore up the public investment in the key knowledge capabilities of Australia so that we can be vigorous participants into the longer term and help Australia improve its economic competitiveness and international capacity.

CHAIR—Has the bill taken on any recommendations made by the Chief Scientist?

Mr Gallagher—The main elements of the package reflect the outcomes of an innovation summit which was conducted through extensive consultation with industry and interest groups across the tertiary education sector and also took account of the report of the Chief Scientist. A consensus emerged in respect of the need to invest in basic research in Australia—particularly given Australia's relative position in R&D as against, say, North America and Europe—where our knowledge capability relies heavily on the public research agencies in universities contributing basic research and to improve the linkage of that research to industry and the take-up of industry for commercialisation of the findings of research. These were elements that the Chief Scientist strongly recommended. They were reflected in the Prime Minister's statement and in the bill.

CHAIR—If the bill is not passed this week, what effect will that have on the Commonwealth investment in higher education?

Mr Gallagher—The investment envisaged by this legislation is long-term investment. There has already been considerable lead-up by universities and by industry in preparing for these measures. There would be, at the very least, a loss of momentum and time. In a sense, time is of the essence because of the rate at which our competitor countries are themselves investing in research and development. So it is urgent that Australia increases its investment in these matters in order to sustain and improve its relative international competitiveness.

CHAIR—The original planning envisaged the bill going through at the end of this week. If this does not happen, and in light of what you just said about that investment in higher education, what will that do to the planning in universities? Maybe the bill will go through in August; maybe it will not. What will that uncertainty do to the universities in terms of their planning for next year?

Mr Gallagher—Let me talk about two schemes—the 2,000 places and the Postgraduate Educational Loan Scheme—as a way of answering your question by way of illustration. We

have called for submissions for the 2,000 places. We have obtained those submissions. But, until the funds are actually appropriated, the minister cannot sign off on those. That will mean that institutions that are successful in those bids would not have the advantage of the lead notice to gear up for intakes in 2002. So that could jeopardise the admission of students in 2002 if this were to be protracted. In relation to the Postgraduate Educational Loan Scheme, the institutions are unable to invest in the computing technology changes that are required for them to admit students under this scheme until such time as the legislation is passed because the vendors of the software simply will not commit to the redevelopment of the systems. That does really put a constraint on us in terms of time. I think that constraint—Mr Mutton might correct me—is a matter of weeks.

CHAIR—Is it a matter of weeks before they need to make decisions to put in train computing systems to get the whole thing rolling and ready for next year?

Mr Mutton—Consultations with the universities indicated that the difficulties they would face would increase rapidly after the end of this month, both in terms of setting up the systems, which are not inexpensive, but also determining what they offer next year, promoting that to students, releasing their handbooks and so on, which will contain information about cost, price and offering. So, come August we rapidly get to a point where a decision will have to be made as to whether this can go ahead at the beginning of 2002 or not.

CHAIR—If the legislation does not go through by this Friday, the next possible opportunity is early to mid August. In terms of the PELS scheme, does that endanger the whole thing starting up next year?

Mr Mutton—As I said, life gets more difficult the longer you go beyond 30 June. Beyond about mid-August, I guess it depends on how much universities are prepared to act on the likelihood of the legislation passing, and they may or may not—

CHAIR—So they will have to make substantial investments on faith?

Mr Mutton—On faith. Of course, as there is no guarantee that the legislation will pass, then they have to make a judgment.

CHAIR—So what we might end up with is a very uneven pattern right across 39 universities where some will take a punt and some will not.

Mr Mutton—Yes, a pretty messy situation. The students will be uncertain as to whether they can expect to get a loan next year or not, particularly any students who are studying this year and continuing next year.

CHAIR—Of course, as this is the very first time PELS has started, we are not in the situation that we are giving an appropriation for a scheme that has been running for years. Everyone has got to engineer and design this in their own universities from the start. Could you see that we could have possible chaos with this scheme just because of a lack of lead time if this bill does not go through until August?

Mr Mutton—I think the judgment will have to be made as to whether there is a risk of it being chaotic and, if so, whether the plug should be pulled on the start in the beginning of 2002 and shifted to mid-2002 or later. But a great deal depends on the response of universities and the extent to which they are willing to take a punt on the legislation going through substantially in the form it has been put to the parliament.

CHAIR—So we are not really talking about a small amount of money or a small scheme here, are we? We are allocating almost a billion dollars over five years to this scheme so it is a substantial investment, and what you seem to be saying is that whole groups of students right

across the country may miss out if this does not go through. We could have a situation where one whole cohort who might have started their research will not start. Maybe they will start at the University of Sydney and they will not start at Ballarat? We have got this uneven scheme across the country, have we?

Mr Mutton—Clearly that is possible, and the HECS hotline has had quite a lot of calls from students and staff asking when the scheme was going to begin. Students and staff frequently do not make the connection with the legislation and many are assuming that it will start.

CHAIR—What about the effect on—separate from PELS—extra places, because within the legislation there are extra places. Again, if it does not go through this week, if it is in August, what does that do in terms of the allocation of 2,000 extra places in universities next year?

Mr Gallagher—It makes it more difficult, Senator, for the institutions in terms of gearing up, because they will not be confident that they have won against their bids. There are many more bids for places than places available. I think, realistically, the universities would make every endeavour to accelerate the provision of those places but it would put considerable pressure on them, particularly on those with the more innovative proposals and those that involve collaboration with a number of institutions and with the VET sector.

Those collaboration agreements have to be taken to the next stage of being implemented and given effect because at the moment they are at in-principle level—agreements awaiting approval—so the longer the delay the more serious the pressure on the universities to gear up. It may well be that some institutions will say to us that they will not be in a position to commence those courses from the beginning of 2002 if they do not have adequate lead time.

CHAIR—With this scheme, the additional places funding is a new thing as well. Universities are now figuring out how they are going to implement that?

Mr Gallagher—Yes, these places are quite a departure from previous funding in higher education. In effect, they are competitive tenders with priorities identified by government for maths, science, IT and related fields. They are asking for innovation in delivery such as accelerated pathways to employment, particularly in IT to meet skills shortages and they are asking for innovation in the design of the curriculum and in the nature of the learning so there is more application-based learning in practical work settings. To give effect to that innovation, which is what industry is asking for, does require the universities to develop new procedures and new partnerships. Those things, if they are to be done well, need adequate time.

CHAIR—Surely in addition to that they are not going to know now for quite some time how many places they have won in that scheme—it now delays that considerably?

Mr Gallagher—The minister is unable to allocate the funds until they are legally appropriated.

CHAIR—What effect does that have on staffing at universities? Maybe you will get 100 extra places. Maybe you will get none. Maybe they will be in the sciences. Maybe they will be in maths. Maybe they will be somewhere else. In terms of advertising for staff and lead times for that, what does that do to the universities in terms of attracting quality staff to teach these 2,000 new students?

Mr Gallagher—I think that will vary. Some will be able to absorb modest numbers of these new students within their existing capacity. Others will be required to buy in additional capability including staff so the circumstances will vary. As I said before, it may be that some

institutions may indicate to us that they will have to defer a start if they have not an adequate lead time.

CHAIR—If they defer a start that means another cohort of students, who may have got a place if this bill had gone through at the end of the month, may not get a place?

Mr Gallagher—We could lose a semester of intake, for instance.

CHAIR—In which time a lot of those students might perhaps go off and do something else and miss the chance?

Mr Gallagher—Yes, and also the scheme is designed to address skills shortages in a labour market for which industry is calling.

CHAIR—So it then delays that whole effort in terms of what the nation is trying to do to rectify skills shortages?

Mr Gallagher—Yes.

CHAIR—On the area of additional moneys for the Australian Research Council, what effect, if this bill does not pass this week, will that have on the ARC's operations?

Mr Gallagher—The ARC has been gearing up for the new grants round and it has designed the applications for the year 2003 which would be assessed in 2002 on the understanding that there would be an acceleration in the scale of the programs, new fellowships, new funds for linkage, an increase in the grant size and an increase in the success rate. There is an expectation and a gearing-up on the part of the ARC. Were the funds not made available because of delay in the legislation, the ARC would presumably have to notify the research community that there may need to be an elongated process.

CHAIR—When you say 'elongated process', do you mean delayed process?

Mr Gallagher—Yes, there would be some delays or it may require some fast-tracking in 2002 to make up for the shortfall in time.

CHAIR—Please give us some sense of how the ARC would time this additional research money over the next few months if it went through this week compared to what is likely to happen if maybe it is mid-August?

Mr Gallagher—I am really not across the detail of the ARC's scheduling.

CHAIR—Perhaps you could take that on notice.

Mr Gallagher—I can obtain the information for you.

CHAIR—Also in this bill you have placed some very much needed specific research infrastructure money. Universities have complained for at least 20 years that there is not enough of that funding for infrastructure. How much money is involved with this bill in terms of allocation of infrastructure money?

Mr Gallagher—Over the period 2005-06, there is to be an extra $337 million expended on infrastructure for research projects funded through the competitive schemes of the Commonwealth—that is, ARC and NHMRC and other Commonwealth competitive schemes—and an extra $246 million in systemic infrastructure, such as libraries and computing equipment laboratories. There are also some other schemes but these are the ones that affect the universities directly, so that is about $583 million.

CHAIR—That is $583 million that is being delayed. A lot of that money would be to buy specific special purpose equipment and that sort of thing, I take it, for which there could be lead times in terms of the delivery as well—a lot of it possibly from overseas. What effect

would that have on the research effort in the universities that are trying to undertake this new leading edge of research?

Mr Gallagher—There are two rationales for this investment in research infrastructure. One is a general increase in the cost of research infrastructure internationally and the need to improve the capacity of the universities to keep pace with leading edge technology; and also library journals and other academic literature, including electronic journals. The cost of those has been escalating as well, and universities are struggling to maintain an adequate range and depth of library holdings in these areas. The first is a kind of ensuring that Australia's general ability to be a player in the world's leading edge of research is sustained.

The second is that the government has doubled the funding for the National Health and Medical Research Council grants, and it has also doubled the funding for the Australian Research Council and in the light of that doubling of grants has moved to increase the project infrastructure such that the funding for infrastructure represents 20 cents in every dollar of competitive grants that are allocated.

The research that is being undertaken is increasingly sophisticated. It is often at the leading edge and cross-disciplinary. It requires collaboration in expert teams that have adequate concentration of expertise, and it often requires sophisticated computing and laboratory technology and specialised equipment. The time to place orders for those and negotiating adequate contracts—especially if we seek to negotiate some whole of sector contracts, which provide an improvement in capability for all the universities in areas such as library holdings—involves negotiations with international bodies, and there is some lead time associated with all of that. Uncertainty about the flow of funds for infrastructure complicates such negotiations and jeopardises the ability to pull off a deal which represents best value for the Commonwealth. As you know, there are sometimes windows of opportunity to secure a particular—

CHAIR—So the delay could create greater expense?

Mr Gallagher—It could.

CHAIR—So just at the point where we have boosted the amount of money through ARC grants and now for infrastructure, this is likely to be hampered, slowed down or lose momentum and there will be lost opportunities in research at this rather critical junction. Would that be a fair summation of the effect of blocking this bill this way?

Mr Gallagher—It would certainly complicate and frustrate. One wants as smooth and stable an environment as is possible in these matters because they involve complex negotiations and significant lead times. So the earlier decisions can be made and the greater certainty that can be provided, the better the likely outcome from negotiations.

CHAIR—So, in terms of higher education, we have a picture of a whole series of measures—a lot of them new measures and therefore needing new mechanisms to be put in place—which will be held up by the delay of this. Another thing that seems to be held up—which is another new measure—is the federal fellowship scheme. There have been a lot of complaints about a brain drain out of the country, and the fellowship scheme is supposed to help turn that around. If the bill does not go through this week, what effect will it have on this scheme in terms of timing?

Mr Gallagher—The ARC has already been involved in active marketing of that new program. It is a well regarded initiative. I would have to take on notice the particular timetable that the ARC has for this. As I said, I can come back to you on that.

CHAIR—I will just move on to the schools issue. Mr Greer, one of the points of contention seems to be the fact that there is an increase in funding for the establishment of new schools. Could you explain why that increase is needed?

Mr Greer—There are two points. Funding is needed more or less immediately, or as soon as possible, to enable the government to provide schools which have already commenced this year with their appropriate entitlement. We are at a stage where a number of schools have an entitlement that we cannot at this stage satisfy. Secondly, a far greater number of schools will have some uncertainty about their due entitlement for their second payment which is due in October this year.

CHAIR—Just to make this clear: I take it that particular schools will not be getting any extra money; it is just that there are more schools that fall into the category of needing establishment money?

Mr Greer—That is correct. There are a number of schools that have an entitlement at this stage of the year for establishment grants—their first payment—which we will not be able to make in the absence of the passage of this legislation.

CHAIR—Would you describe those schools broadly as being wealthy schools?

Ms Andruska—At this point in time we have six applications for new schools which have not been paid, and will not be paid, their entitlement under the establishment grants. Three of those have been approved. The schools tend to be smaller schools—Christian, Montessori, an Anglican school, a Lutheran school and a Catholic school.

CHAIR—So you would not, under the old system, categorise these as category 1 schools, I take it.

Ms Andruska—No, I do not know that we have actually worked out their SES scores but I do not think that they would have high SES scores.

Senator CARR—The benefit is dorothy dixer's not to have those SES scores—

CHAIR—Order, Senator Carr. Let us just establish what schools we are talking about that you are blocking here. Let us get a clear picture of what the schools are like. These are mainly new schools being established. What is the effect going to be on their planning for establishment if the bill is not through by the end of this week?

Ms Andruska—The schools would have worked into their own budgets not only their general recurrent grant but also the amount of the establishment grant in terms of their establishing a new school and having the resources available for the running of that new school.

CHAIR—How many are actually starting for the first time next year?

Ms Andruska—We already have all the ones that I have mentioned. They are all new starters that will not receive any money under the establishment grant. There are a number of schools, of course, that we have paid the first payment of 50 per cent in January. There are 70 schools there: nine were schools that were established after May 1999, 24 were established in 2000 and 19 have so far been established this year, and they have had payments go to them. They will not get payments in October unless the bill is passed by then.

CHAIR—If this legislation does not go through at the end of this week, assuming that it goes through in August, what does that do to the timing of their payments?

Ms Andruska—The next payment is due in October so those schools that have received payment so far will get their payments in October, so there will not be any delay for them. It

is the new schools that are coming on stream now that will have a delay in getting the first payment.

CHAIR—So when would they receive the first payment?

Ms Andruska—As soon as the bill is passed.

CHAIR—At the end of this week they may not have a bill. I am just assuming an optimistic scenario. Who knows—we might go to an election and maybe they will not get any money at all. Maybe the parliament will not come back.

Senator CARR—That is a good point.

CHAIR—Yes, it is, isn't it?

Senator CARR—It is entirely in the hands of the government.

CHAIR—Yes. Then what happens to these schools?

Mr Greer—These new schools would not be able to be paid their entitlement under the act if the funding is not available for that payment.

CHAIR—So if the bill does not go through this week it opens the door to the possibility that these schools may not be able to be established next year.

Ms Andruska—These schools are actually schools that are establishing at the moment—they have opened their doors—and I guess it puts pressure on them. If they have balanced their books and relied on getting this establishment grant funding it may put them into a difficult financial position as the year goes on.

CHAIR—But if the parliament is prorogued and we do not come back that would put them in an impossible position, wouldn't it?

Ms Andruska—It would certainly put some financial pressure on these schools.

CHAIR—If you are a new school starting up—and I have been involved in these—you do not have much margin for error. You are actually depending on that grant to arrive. Would it mean that you would be in a position where it could collapse, that it would not start?

Ms Andruska—The potential is certainly there.

CHAIR—There is another thing—and you might want to take this on notice—on the location of these schools.

Ms Andruska—I can let you know where they are. The one in New South Wales is at Bondi Beach. In Queensland, there are two schools—one at Murrumba Downs and one at Gaven. In Western Australia, there is a school at Ellenbrook and a school at Claremont. In South Australia there is one at Gawler.

CHAIR—You did mention another 70 schools that were affected by the legislation that had already been established. Perhaps you could take on notice the names of those schools and their locations. There is another aspect of this bill that relates to disabilities. What will be the effect, in terms of people with disabilities, if this bill does not pass this week?

Mr Greer—The bill provides to correct a clerical error that was included—

CHAIR—Another clerical error?

Mr Greer—No, it was one that you mentioned last week. When the bill was originally introduced, a per capita figure of $522 was included in the bill. The $522 was erroneously not adjusted for the application of the 2000 costs supplement, which was 7.4 per cent. The adjustment figure should correct that to $561, so there will be an additional 7.4 per cent of

funding going to those disabled students, or the schools which are entitled to this per capita funding.

CHAIR—It is quite a reasonable request for additional funding but, of course, it is caught up in this whole broad bill. What would be the effect for the students if this funding is up in the air?

Ms Weddell—The effect of not making this correction would be that those authorities would not be receiving the full amount that they would be entitled to.

CHAIR—How much, on average, would they be short of what they would be expecting if the bill had normally gone through?

Ms Weddell—The difference would be between the $522 and the $561.

Mr Greer—It is the 7.4 per cent difference—between the $527 and the $561.

CHAIR—Are you aware of any schools, particularly in rural indigenous communities, whose funding might be at risk if the bill does not pass this week?

Ms Weddell—I am not aware of any particular ones but, in a general sense, there would be resource issues for those non-government schools that would be able to be in receipt of this kind of money. That would include those kinds of independent schools.

Senator CARR—I do notice that it has taken three-quarters of an hour to get through those dorothy dixers, so perhaps we ought to draw this back to your attention—

CHAIR—We just want to get on the record what your actions are going to create—the havoc you are going to create out in the higher education and school section by blocking this bill.

Senator CARR—That is fine. We ought to make sure that the Senate has clearly on the record the fact that the opposition has not had an opportunity to explore the implications of this bill.

CHAIR—Senator, you have got an hour and a quarter. You are now wasting that time. Could you please go ahead with your questions.

Senator CARR—We will see if we are wasting time. Could I begin by—

CHAIR—By the way, Senator, other senators have the right to ask questions. This committee is not your personal plaything. Other senators have the right to ask questions. Now ask yours.

Senator CARR—Mr Greer, what was the date when you discovered that there were errors in the original state grants bill?

Mr Greer—I think, as we indicated in evidence last week, those were first identified in early October 2000.

Senator CARR—Could you give me a date on which they were discovered?

Ms Andruska—I do not have an exact date, but we pay the final general recurrent grant payment in October. It is a finalising payment, based on what the final census figures are.

Senator CARR—The point is that the department has known since early October that the bill that they put to the parliament was wrong. That is the thrust of what you are telling me, is it not?

Ms Andruska—We have known that the amount of money was not enough.

Senator CARR—It was wrong. There were a number of errors in the bill.

Ms Andruska—The framework of the establishment grants was clearly in the bill. Our forward estimates were updated as soon as we were aware that it was necessary and were in a position to do that—but we were aware that the amount of money was not enough to cover what we expected the demand to be.

Senator CARR—Eight months after you discovered that they were wrong you did not come to the Senate and say, 'It's most urgent that by Friday these errors are corrected.' That is the fact, isn't it?

Mr Evans—No, that is not the fact. The fact is, as we indicated earlier to you, that there were sufficient moneys appropriated in the legislation to manage the programs in the early part of this year. The department indicated at an early point that it would be introducing an amendment to the bill in the early part of this year, and we have been subject to the legislative profile that has taken us to this point. So, to that end, the legislation and the indication by the department and the minister that we were going to amend the legislation occurred very early this year.

Senator CARR—When was the minister told?

Mr Greer—The minister was aware of the shortfall by the end of October.

Senator CARR—You discovered in early October that the bill that you put to the parliament was wrong, but you did not tell the minister until the end of October. Is that what you are saying?

Mr Greer—No. I said that the minister was aware of the shortfall by the end of October following a briefing provided on this matter and other issues during October.

Senator CARR—Can you give me a date in October?

Mr Greer—I think it was the third week in October.

Senator CARR—In the third week in October you told the minister that his bill was wrong?

Mr Greer—We told the minister that there was a shortfall in funding, which, in the event, was a shortfall that was driven by parameter variables.

Senator CARR—This is what troubles me: I am sitting through October and November and into the second week in December—from memory—debating this bill, passing amendments and discussing options with the government. At no point was I told, as a senator, that the government bill was wrong, and it would appear that it was not until the third week in October that the government knew that its own bill was wrong. That is the proposition that you are putting to me, isn't it?

Mr Greer—The proposition was that—

Ms Andruska—The gap there is quite small. The payments are made in October—

Senator CARR—That is why were are here, isn't it? We are discussing a bill to amend the States Grants (Primary and Secondary Education Assistance) Bill 2000 which was passed in December last year, which you knew to be wrong in October and chose not to do anything about.

Mr Greer—No. As I said, we identified the shortfall in the early part of October. The formal advice on that matter was passed to the minister in the course of October, as Mr Evans indicated. The minister concurred with advice provided to him by the department that the shortfall of those funds could be secured in the 2001-02 budget context.

Senator CARR—So it was the minister's decision not to introduce amendments, was it?

Mr Greer—I have indicated that it is my understanding that the minister concurred with the advice provided to him by the department that the funding shortfall could be secured in the 2001-02 budget context on the basis—as Mr Evans indicated—that funding appropriated in the bill was sufficient to manage the program in the early part of this year and that attempts would be made at early opportunities in 2001 to come back to the parliament to increase that appropriation, which was done. Given that these changes were in fact parameter driven, that is that there has been no policy change as they have been variables of parameters, it was a reasonable expectation that the legislation would in fact be passed.

Senator CARR—Ms Andruska, page 43 the *Hansard* of this committee on Friday, 15 June records that when I asked you the direct question, 'Did the minister make the decision to put the amendments?', you said no. I then asked you, 'Did the department make that decision?' and you said that the department had made the decision. Are you now able to advise the committee as to whether or not that needs to be clarified?

Mr Greer—I think I did clarify that.

Senator CARR—Ms Andruska is the one that answered the question. Have you changed your evidence?

Ms Andruska—The information that I gave you on that day was as I understood it. I have now become aware that in fact it is different; that the—

Senator CARR—So you inadvertently misled the committee. Is that the situation?

Ms Andruska—No, I was just totally unaware of the particular brief that went to the minister at the time that went to the minister.

Senator CARR—Did the minister mislead the parliament on the basis of your advice?

Mr Greer—Not to my knowledge.

Senator CARR—Then he has asked for appropriation on a measure that was wrong. The appropriations in the bill were wrong.

Mr Evans—Can we go back a little bit on the use of the word 'wrong'. When the bill was introduced in June last year, the amount that was provided in the legislation for establishment grants was based on the latest available information on a likely demand for establishment grants at that time.

Senator CARR—I am sorry, we have not got a lot of time, Mr Evans. I know you are very good at answering questions, but I would ask you to answer the questions I ask. Perhaps I could facilitate this by drawing your attention to what Ms Andruska said last Friday. On page 42 of the *Hansard* record, she says,

> We had adjusted the estimates at the earliest opportunity, so the forward estimates reflected the increased funding that would be required based on the information we had, which was that the estimates that were in the bill were wrong.

The word 'wrong' is used by the officer.

Ms Andruska—At the time that the bill was drafted and introduced into the House, as far as we were aware the estimates at that point in time were correct.

Senator CARR—But they were demonstrated to be wrong.

Ms Andruska—They were based on the 1999 data. When we were able to get the census data in October, we then went back and revisited our estimates. It was then that we became

aware that, because of the change in pattern and the number of schools with large enrolments, we would need to adjust the moneys in the bill.

Senator CARR—I draw your attention to this statement, Ms Andruska, in particular instance, where you said:

... because, as you said, it was bouncing backwards and forwards—

that is, the states grants bill—

and there was a keenness to see the bill passed—there was a decision taken that to have an amendment at that time may further delay the bill, a bill that contained some $22 billion for government and non-government schools ...

That is true: you had made a decision not to move an amendment at that time? That was the appropriate time to correct the estimates, was it not? That was the appropriate time.

Mr Greer—As I have indicated, at that stage there was concurrence with the advice provided by the department to pursue this parameter change through the 2001-02—

Senator CARR—Mr Greer, I put it to you that the department is, frankly, at sixes and sevens with this legislative program. This is a measure of incompetence which has been demonstrated now on a number of occasions, where you have put information to this parliament which you have had to correct: EBA, the special assistance to disadvantaged students and now the establishment grants. So there are three occasions. We have been told today by Mr Gallagher and others that this is a matter of some urgency and it has to be dealt with by this Friday. Yet the bill was not passed by the House of House of Representatives until 19 June. It was not introduced to the Senate until 20 June. It is clearly an omnibus bill. For the first time in a generation in schools there are a series of measures most of which people do not have a great deal of complaint about, but a particularly controversial measure tucked into the guts of this bill to cover up your mistakes.

Mr Greer—It is a parameter change.

Senator CARR—Yes, to cover up your mistakes.

Mr Greer—No, it was not; it was a change that reflected the census data available. I think it was in late September or early October. Mr Gallagher, have you determined the allocative mechanism for these 2,000 extra places?

Mr Gallagher—Yes, guidelines were approved by the minister.

Senator CARR—When?

Mr Gallagher—Guidelines were approved at Easter.

Senator CARR—I asked you the same question at estimates and you told me that you had not determined the allocative mechanisms. You said there were a range of references that had to be consulted. And I asked you about the Electoral Commission.

Mr Gallagher—That was for the 670 places.

Senator CARR—What about this 2,000?

Mr Gallagher—For the 2,000 places, guidelines were approved by the minister. They were circulated to institutions. Submissions close at the end of this month. The process involves assessment of the submissions by us in consultation with two other departments and then advice to the minister.

Senator CARR—Is this a policy change?

Mr Gallagher—No, not at all, Senator.

Senator CARR—So on the basis that the schools division has just indicated there was no policy change and that it allocated moneys for establishment grants, why haven't you gone ahead to discuss with the universities an indicative allocation of their places?

Mr Gallagher—Because this is a competitive tendering scheme. We have issued guidelines. The universities were given adequate time to prepare their submissions. The cabinet decision requires that the assessment be done in consultation with DISR and DCITA because this is a skills shortages measure addressing particularly maths, science and IT.

Senator CARR—There is nothing to stop you allocating on an indicative basis these arrangements, is there?

Mr Gallagher—The process is not yet complete, Senator. We haven't gone through the assessment of the proposals.

Senator CARR—So there is no particular special magic about this Friday in that process, is there?

Mr Gallagher—The only concern would be that, if we do not meet the appropriation provision, once we have finalised the assessment of the proposals the minister will not be able to provide allocations because he will not have the legal authority to do so.

Senator CARR—When is the start-up date for PELS?

Mr Gallagher—It is 2002.

Senator CARR—What date?

Mr Gallagher—The beginning of the academic year.

Senator CARR—When is that?

Mr Gallagher—February, normally, when students would be enrolling.

Senator CARR—The states grants bill last year was passed on 12 December?

Mr Gallagher—I think it was the sixth or the seventh.

Senator CARR—Effective when?

Mr Greer—On 1 January.

Senator CARR—But you had no trouble administering that.

Mr Gallagher—But the start up for PELS requires investment in new technology in the universities. This is a new scheme.

Ms Andruska—The announcement about the changes to non-government school funding was made in the previous year's budget. We spent the start-up period, that whole 18 months, getting ready for the change.

Senator CARR—I think I have made my point. The only other question I would raise about the figures you have mentioned, Mr Gallagher, is: what are the forward estimates on this? What is the financial impact of this bill for the next financial year? What percentage?

Mr Gallagher—I think there is additional funding of $102.4 million in 2002.

Senator CARR—So of the nearly $400 million that I think Mr Gallagher was referring to, less than 25 per cent is to be allocated in the next calendar year—is that right?—some time after March next year?

Mr Gallagher—That is right in terms of the flow of funds. New mechanisms have to be put in place to establish these schemes.

Senator CARR—Could I just go back to the school issue because there are some concerns I have about the department's administrative competence in this area. I want to get some further advice on Mr Goonrey's comments 10 days ago. Mr Goonrey, in terms of the moneys to be paid for establishment purposes you said it was clearly laid down in the guidelines that a school amalgamating or a school formed from a separation is not eligible for establishment grants. Is that correct?

Mr Goonrey—That is correct.

Senator CARR—Given that the whole methodology of this forward estimate is being questioned, I want to take you to the issue of the new schools that have been referred to. I begin with the Christian College Institute of Secondary Education. I want to emphasise again that this is a school that was registered before these bills were introduced, so I do not want to have a crack at the particular school; I am interested in the department's administrative practices. This is a school that was in Highton, in Victoria. You say it is a new school, taking students from the normal stream through other existing schools. You say that you have had a cursory view and you suggest that new schools came from other Christian schools from the Geelong area and various other fields. Is that the case?

Mr Goonrey—That was my recollection, Senator, and I haven't had an opportunity to revisit that, so that would be still the situation.

Senator CARR—Are you aware of a 'Christian College Highton', which is another school in the immediate area?

Mr Goonrey—Yes I am, Senator.

Senator CARR—Are you aware that that school in 1999 claimed 678 secondary students but only 383 students in 2002?

Mr Goonrey—No, I am not aware of the figures, Senator.

Senator CARR—Given the comment that you made that the 2000 Christian College lost 295 students, while in the same suburb a new school with a very similar name found 338 students, did you investigate that?

Mr Goonrey—As I think I said last week—and I have just indicated that I have not had the opportunity to update my information—my recollection was that the new school was a senior secondary school, drawing from existing schools in the area.

Senator CARR—Are you aware that the Christian College Institute of Secondary Education is a registered training organisation?

Mr Goonrey—No, I do not recollect that, Senator.

Senator CARR—Are you aware that the registered address for the Christian College Highton—the registration commenced after it began operating as a new school—is the same as the CCISE, the institute?

Mr Goonrey—No, I am not aware of that, Senator.

Senator CARR—Did you undertake a company search of the two companies?

Mr Goonrey—At the time we treated it as a normal new school application. We went through and looked at issues like the corporation, whether there was a body corporate running the school, whether it had powers to run a school and whether it was a non-profit body, and we treated it essentially as a normal new school.

Senator BRANDIS—Is it the usual practice to do a company search?

Mr Goonrey—No, Senator.

Senator CARR—Well, would it be the normal practice to establish whether or not a school has the same address as another school? Would that not come up as a standard procedure, given that you have said that the guidelines depend upon there being established a new school, and that separations or existing schools cannot get new school money?

Ms Andruska—Certainly we would look at that. Mr Goonrey has also explained that there are a number of other things that we look at. There is an example of a school in Queensland—All Souls and St Gabriels—where the Anglican church closed the school and the local council decided to set up a school. That was considered a new school. It is on the same grounds, it is at the same address, but the school has a whole new structure as a new school, with a whole new body owning that school and operating that school.

Senator CARR—Sure. It is just that I am told that both the entities that I referred to are at the same address of 18 Burdiken Road, Highton in Victoria, 3126. Could you explain to me why, of the 13 directors of the Christian College Institute of Secondary Education, 12 are directors of the Christian College Geelong Ltd and the thirteenth is the previous principal executive officer of Christian College? I might add that one share director who had been appointed to both boards since the establishment of this new school was appointed to both boards on the same day. Does it suggest to you that we are looking at a new school? Or are we looking at a subsidiary of another school?

Mr Goonrey—I assume when you are referring to that, Senator, you are referring to the location of the company rather than, necessarily, the location of the school. Companies can share addresses.

Senator CARR—I am sure you would have investigated that. Immediately you had seen the same address for two schools you would have said, 'Hang on, we are going to pay these people a lot of money'—because the whole principal of this bill is it is an automatic payment—'and that is Commonwealth money. I need to be certain that all the guidelines are being followed' and you would have made inquiries about that?

Mr Goonrey—My recollection is that it was a separately incorporated company to that that was running.

Senator CARR—Just the same people running both.

Mr Goonrey—Legally that would be a separate company.

Senator CARR—It is the same company secretary, the same year for both companies, the same administrative structure, the same ownership structure, the same address. The place of business for both entities was the same as well. Would they not have been reasonable inquiries to make?

Mr Goonrey—My recollection is that we treated this as a standard new schools application. We looked at the normal criteria and reached a conclusion based on the information available at the time.

Senator CARR—They share the same auditor. It seems to me a prima facie case that they are the same entity.

Mr Goonrey—I would not see that the sharing of the auditor would be a relevant matter.

Senator CARR—No. I am putting it together with a whole list of things suggesting to me that there is considerable cross-over. The reason I ask this again is not because these people are not entitled to set up schools in this way. It is a question of whether or not you are entitled,

as an officer of the Commonwealth, to pay moneys to them without having checked to see that they fulfil the guidelines.

Mr Goonrey—I believe we did check at the time.

Senator CARR—I just keep going through them because we have had some inquiries made through the Victorian Schools Registration Board and they say that they are basically the same entity.

Mr Goonrey—My recollection is that the Victorian Schools Registration Board registered the school as a separate new school.

Senator CARR—I am told it is the senior campus of the Christian College, Highton. That would be outside the guidelines, would it not?

Mr Goonrey—If it was the campus, yes.

Senator CARR—But you would have checked that, wouldn't you?

Mr Goonrey—My recollection is that we did.

Senator CARR—You did check it, and you are able to assure the committee that the guidelines have been fulfilled in regard to the payments of money to this—

Mr Goonrey—To the best of my recollection.

Senator CARR—I will ask you to take that on notice to check these propositions that I have put to you today, and see whether it follows. They have already received $884,500, have they not?

Mr Goonrey—That is correct, Senator.

Senator CARR—Were there are any other moment moneys paid to this school—for instance, for crisis assistance—outside of the normal guidelines?

Ms Andruska—Not that I am aware of.

Senator CARR—I trust, given that you are saying that we are going to endanger Aboriginal schools and Montessori schools, the department is administering the moneys that are already available to them and already appropriated. That would be the reason I am concerned about that. I might turn to a second school. You already mentioned St Gabriels. You say that it is a separate school, despite that fact that it appears to operate on the basis of the previous school that went bankrupt in 1999. Was any emergency assistance paid to St Gabriels in the past?

Ms Andruska—I would have to go back and check. I am not aware. My understanding is that it belonged to—and I may not have this exactly right—the Anglican school system in Queensland and that they made a decision that the school was not financially viable and to close it down. The school community then, with the council—

Senator CARR—Same council, same staff—or effectively the same staff—same enrolments, same students. All of that is true?

Ms Andruska—The school was no longer an Anglican school.

Senator CARR—To get money for this you have to move outside the systemic system and call yourself a new school within the guidelines?

Mr Goonrey—In that case I think a new body, namely the council, purchased the school. Then there was another new body that ran the school.

Senator CARR—It just so happens that they are the same people as before the new body.

Mr Goonrey—Part of it, I would assume, is that they then have a different, new employer; the old system was no longer the employer. So yes, they may have worked previously for the former school but they were then working for the new school.

Senator CARR—Can you assure me that if a school chooses to leave a systemic system—no matter which one—call itself a new school, and presumably it has a new employing authority, they are entitled to establishment grants.

Ms Andruska—I think not by that alone.

Senator CARR—What other factors would you need—a fight with the bishop? What would you need to demonstrate that you are no longer part of the system?

Mr Greer—A range of elements, Senator: where there is evidence that the school actually closed—that is, that the education ceased to be provided, that staff ceased to be employed, that school buildings were sold or leased to a new body.

Senator CARR—For how long, Mr Greer? Would it be a day? Would it be over the Christmas break? How long do you need to demonstrate this for?

Mr Goonrey—I think there is no black and white answer. You are looking at the facts of each individual case.

Senator CARR—I could have confidence, based on the experience in Geelong, that it would be done thoroughly?

Mr Goonrey—I believe so.

Senator CARR—I turn now to the Australian Islamic College in Western Australia, a multi-campus school in Perth, the UP12 campus, a former state high school. You say this was a critically important development in terms of readjusting your estimates. They have enrolments of 847 students and you told us at the last committee hearing that you were unaware of where these students came from. In essence, is that the submission you put to us?

Mr Goonrey—That is correct.

Senator CARR—Could you comment on the registered office of the new school and its director? Does the registered office of the new school have an identical registration to that of the other campuses of the school?

Mr Goonrey—I am not sure.

Mr Evans—We could certainly take that on notice.

Senator CARR—Have you seen media reports in Perth prior to the payment of moneys to the school that referred to the new school as a campus of the existing school?

Mr Goonrey—Not personally.

Senator CARR—In fact that is how the school described itself to the local media, as a 'campus of an existing school', which I thought would be outside the guidelines if that is the case. Are you aware that between 1999 and 2001 these older campuses lost nearly 450 secondary students?

Mr Goonrey—I would have to take that on notice.

Senator CARR—They lost none this last year. Have you investigated the possibility that the new students are international students? How many of the new students are actually international students?

Mr Goonrey—I do not have any information about that.

Senator CARR—Do we pay for international students as part of the establishment of per capita grants?

Mr Goonrey—No, we do not.

Senator CARR—That is what I thought. You would make a check, wouldn't you, when they were telling you of their enrolments and find out how many were international students. And how many were international students when you checked that?

Mr Evans—As the officers have said, we do not have that information at the table but I am happy to take that on notice for you.

Senator CARR—How long would it take to get that information—presumably, it would be fairly quick?

Ms Andruska—I would imagine that is on their financial questionnaire return on the number of students that they have and which ones are overseas students.

Senator CARR—Would you have any idea at all?

Ms Andruska—None at all.

Mr Evans—Do you mean how long would it take?

Senator CARR—No, how many are international students.

Mr Evans—We would need to access the papers.

Senator CARR—Okay. It has been put to me that nearly two-thirds of the so-called new enrolments are actually outside the guidelines. Would that be right?

Mr Evans—I trust not, Senator.

Senator CARR—Yes, I will bet you do. It has been suggested to me that this new campus and the restructuring of an existing school triggered an automatic payment. Are you satisfied that all the guidelines have been followed? Can you give me that assurance now?

Mr Goonrey—I believe so.

Senator CARR—Thank you. I raise this because you have indicated that these three schools——or certainly the one in Geelong and the one in Perth—were critical to the forward estimates. You say that the average enrolments per school doubled and that the number of students therefore increased. That is basically the proposition that you have advanced to the committee, is it not?

Mr Evans—The proposition advanced to the committee was essentially that the estimates that went into the initial bill were based on the best available advice at the time, which was the 1999 census data assembled in August, and that best advised data went into the initial bill. The details of the 2000 census were not available until September or October 2000.

Senator CARR—If I understand the way you have approached this, if it turns out to be the case that these schools that you have based your projections on have in fact operated outside the guidelines, then the enrolment figures are substantially different, are they not?

Ms Andruska—We could have overestimated—that is a possibility. Under the bill there would not be any requirement to spend all the money that is there.

Senator CARR—I know that.

Mr Greer—That goes to the heart of some of these issues. They are in fact parameter changes and are recognised as demand driven in that sense.

Senator CARR—What if the demand that you have told this committee about is wrong?

Mr Greer—We are saying that, if the demand or the indicator was wrong, you do not spend to the level of appropriation.

Senator CARR—Sure.

Ms Andruska—We would have to readjust the forward estimates if we—

Senator CARR—Yes, that is right, you would. You would have to adjust it, and then the urgency that you have put to us as being critical to the future of humanity in the school system may have evaporated a bit. It seems to me that, instead of the 100 per cent increase, the figure actually falls to a 50 per cent increase. Does that seem reasonable to you?

Mr Greer—Not without testing—no, not at all.

Senator CARR—If the All Souls model is taken out, then the figure drops down to 35 per cent. So the application of the guidelines is obviously pretty serious to your forward projections, I would have thought. At any point do you actually give any consideration to the prospect that students are actually recycled?

Mr Greer—Could you expand?

Senator CARR—You are paying them on a per capita basis now and you are saying that these are new schools because they have a new name—sometimes even the same name, the same people and same site, but it is decreed to be a new school. What if they are existing students who have moved from a school that you have already paid for? If they are not moving in to establish a new school at all but are actually—

Mr Greer—We would not have paid establishment grants because this is the first payment of this new program.

Senator CARR—I want to be clear about this: you are saying that you would not have made those payments?

Mr Greer—There would not have been a double dip. This is the first—

CHAIR—The scheme has not existed before.

Ms Andruska—Unless they were in a new school in 1999 and then another new school in 2001.

Senator CARR—But there have been establishment grants for a while, have there not?

Mr Evans—There were not any establishment grants in the 1996 to 2000 quadrennium.

Senator CARR—None at all?

Mr Evans—None at all.

Senator CARR—The actual increase you are looking for this year is 330 per cent. I asked you to have a look at the figures I quoted last time. You said that it has gone from 1,692 to 3,400, which is an increase of 101 per cent. Could you explain to me why you need to increase the moneys by 300 per cent. If you paid all of these payments on the basis of appropriate guidelines, if enrolments go up 100 per cent, why is it that you want a 330 per cent increase in moneys?

Ms Andruska—It is as I explained before. We have nine new schools that have been established since the May 1999 budget, 24 schools that were established in 2000 and then we have the new schools that have been and are being established in 2001.

Senator CARR—So it is not just enrolments—you are saying that there are other factors?

Mr Evans—You would recall that I provided an introductory speech the last time this committee met. In that introductory speech I made a point of saying:

As well, additional allowance should have been made for new non-systemic schools that lodged applications after 11 May 1999 and were approved for funding in 1999 and 2000 as they were entitled to establishment grants.

So there was a second factor, and that was read into the statement that I made a week ago.

Ms Andruska—I also made a statement that in 2002 we would be paying establishment grants to what was 3½ years of new schools or new school enrolments.

Senator CARR—So that accounts for the fact that enrolments are increasing by 50 per cent in 2002 but the increase in moneys is 330 per cent?

Ms Andruska—What we will have in 2001 will be paying for 2½ years worth of new school enrolments; 2002, 3½ years; 2003 and 2004 will be just two years worth of new school enrolments.

Mr Greer—It might be easier to look at what the estimated enrolments that underpin those projections are in the context of the first year of the grant payable, the second year of the grant payable and so forth. If you look in 2001, the estimate is built on the basis that there will be 7,387 students entitled to a first stage payment. As Ms Andruska says, they come from three years: 1999, 2000 and 2001. As you move into 2002, the numbers of students who will attract an entitlement under this are 12,027 on the basis that the 1999, 2000 and 2001 new schools will have an eligibility for the second payment in respect of the numbers of students at the schools in that second year and, of course, the new schools which attract their first grant in that year. Likewise, as you move into 2003 you are looking for the eligibility for the second grant of the new schools who were established in 2002 and the first grant of new schools in 2003. That is 8,432 and, as it is, it flat-lines from there on on those projections.

Senator CARR—You are saying you want to pay new schools operating since May 1999: did I hear you correctly?

Mr Greer—From 11 May.

Senator CARR—We have had a few budgets since then. Why did you need to take it back to then?

Ms Andruska—From that budget the funding of all new schools, although funded on an ERI funding category, was in fact calculated by taking the addresses of all the students, calculating an SES score for those schools and then matching what funding they would get under their SES score to an EIR funding category. Essentially, those schools since 11 May 1999 have been funded based on their SES score. There was an issue in that, if establishment grants were only paid to schools from 2001 that are also funded on their SES score, there would be a competitive disadvantage for those schools which had their funding set up and payments based on their SES score in 1999 and 2000 versus the schools in 2001 that would be getting their funding based on their SES score plus an establishment grant.

Senator CARR—Ms Andruska, didn't you mention before that you had announced the SES funding model 18 months prior to it being passed?

Ms Andruska—That is correct.

Senator CARR—Why didn't you put the calculations in for establishment grants at the same time?

Ms Andruska—The decision about establishment grants was made later.

Senator CARR—When?

Ms Andruska—In the first half of 2000.

Senator CARR—So this is a further mistake on the department's part then, to get its—

Ms Andruska—No. It is not a mistake at all. It is a decision by the government to introduce establishment grants.

Senator CARR—When was the state grants bill put together?

Mr Evans—It was introduced on 29 June 2000.

Senator CARR—So the decision was taken prior to that.

Mr Greer—Yes.

Senator CARR—So you chose not to put it into the state grants bill then?

Ms Andruska—It was in then.

Senator CARR—All of this was in then?

Ms Andruska—The framework that was announced as part of the 1999-2000 budget did not contain establishment grants. The bill that went before the House in 2000 had the framework that was in the 1999 budget but also had an additional element which related to establishment grants.

Senator CARR—Mr Greer, you mentioned some figures before. We are in the business of writing reports. Can we get those figures tabled? Is there nothing to stop those figures being tabled?

Mr Greer—No.

Senator CARR—As to the other matters that I have raised in regard to the three schools and that are critical to the forward projections, how long would it take you to get me information about the application of the guidelines?

Mr Greer—We can undertake to move on that this week.

Senator CARR—As for the other matters I have raised in estimates and the previous hearings about the principal suit and all those other things that could benefit from using the establishment grants, when will you be able to give me the answers to those questions?

Mr Greer—We have responded to some of those.

Senator CARR—Some of them? I would like them all. When can I get that?

Mr Greer—I think 26 July was the return date.

Senator CARR—This bill has to be urgently considered by Friday, but you have not answered all the questions from the estimates rounds. That is a fact, isn't it?

Mr Greer—The return date for estimates questions on notice was 26 July.

Ms Andruska—The 22nd, from memory.

Senator CARR—When was the decision taken to put this bill within the omnibus bill?

Mr Evans—I read into the statement when this committee met earlier that the bill was originally on the autumn 2001 program as the States Grants (Primary and Secondary Education Assistance) Amendment Bill. The original bill was varied to become the Innovation and Education Legislation Amendment Bill 2001 primarily to implement the government's Backing Australia's Ability following the announcement of that statement in January. So initially it was a bill to amend the states grants legislation.

Senator CARR—So it was the government's decision to put it as part of an omnibus bill which was not introduced to the Senate until last week?

Mr Greer—It was a decision of the government on advice from the department.

Senator CARR—Sure, but it was the government's decision to package it all up and to introduce it into the Senate on 20 June. That is the thrust of what you are saying to me? This bill that was so incredibly urgent was introduced five days ago.

CHAIR—Aren't these things often governed by the officers who are doing the drafting of the bill? It is not a simple bill; it is a complex bill.

Senator CARR—Absolutely, but you expect us to simply pass it. It has been in the chamber for five days.

CHAIR—Order, Senator. My question is: aren't delays sometimes experienced because of the drafting of bills?

Senator CARR—We had 45 minutes about the evils of the Labor Party. It is a bill that has to be passed that you did not introduce until five days ago. You now tell us that it is a complex bill, subject to certain issues and whether or not the guidelines are being implemented.

CHAIR—Senator, we did not meet for the previous two weeks.

Senator CARR—There you go—it is urgent. I do not know which officer is responsible for legislation. Aren't you concerned about the lack of muscle the minister has within the government to get his legislation given due priority?

Mr Evans—Not at all, Senator.

Senator CARR—It is not a question you can answer, obviously, but there is an issue about the government—not the opposition—determining its legislative priorities, isn't there? Has the failure to get a decent cut of the action in the legislative program been discussed within the department? You have half a dozen bills on the *Notice Paper* at the moment, haven't you? Why does it all happen so late?

CHAIR—Order, Senator. It is not really the role of the officers to answer those sorts of questions.

Senator CARR—No, it is not. It happened last year, too—all the education legislation was put on in November-December. There is a bit of a pattern here, isn't there? Is it because the department fails to get information to the minister on time, or is it a problem within the department in processing these issues in a form that the parliamentary draughtsmen can deal with?

Senator BRANDIS—Why don't you ask one question at a time, Senator?

Senator CARR—I do not expect answers to any of them, but I think—

CHAIR—Why ask the questions if you do not expect any answers?

Senator CARR—the points should be made. That is the issue. Mr Gallagher, I am sure you would have been able to draw attention in your answers to the fact that it is an issue for the parliamentary draftsman as to when legislation is drafted, but when legislation is introduced into the chambers is up to the government. That would be true, wouldn't it, Mr Gallagher?

Mr Gallagher—The government does its best to expedite the passage of legislation.

Senator CARR—Indeed it does, and it does that by introducing legislation to us on 20 June.

CHAIR—Do you have any questions, Senator?

Senator CARR—I have a few.

CHAIR—Good, then let us ask them.

Senator CARR—Mr Gallagher, you have indicated that competition between the universities will restrict the extent to which universities will be able to increase postgraduate fees with the introduction of the PELS scheme. Is that the proposition that has been put?

Mr Gallagher—We expect that pressure to raise fees will be dampened by the fact that the universities are in competition and have been for some time in what is now effectively an unregulated price market for postgraduate coursework. However, the minister has indicated two things. One is that he has directed the department to monitor movements in prices and to raise with institutions bilaterally, through the profiles processes and other means if necessary, issues that may arise. The second is that, in the event that a problem does emerge, provision is made in this legislation, as you know, by way of contingency to give the minister power of discretion to cap the overall debt burden that a student can accumulate.

Senator CARR—I am unclear about this. Mr Gallagher, the department has given serious consideration to the impact of fee rises as a direct result of the introduction of this scheme?

Mr Gallagher—Yes, Senator.

Senator CARR—What do you anticipate the fee rises to be?

Mr Gallagher—As I have said to you, we anticipate that the competition amongst the universities will dampen the rate of increasing fees.

Senator CARR—Have you done any research on that?

Mr Gallagher—This is market behaviour. It is a bit hard to give precise research on it. I can say this, though: over the last eight years, there has been a gradual development of the market in the postgraduate coursework area. Initially, universities could offer fees within the funded load of Commonwealth funded places for postgraduate students. That involved, deliberately, a policy of cross-subsidisation so that the fees that were initially charged were lower than full cost. Over time, as that has matured, that cross-subsidy has been removed and the universities are now providing those courses into the marketplace, with the exception of some HECS places, on an entire fee basis. Over time, you would expect institutions to move to a position where they recover the costs associated with those courses. So, over time, I do not think it would surprise anybody that there will be some drift upwards in the fee regimes at the postgraduate coursework level.

Senator CARR—What is your estimate? The word 'parameter' is being thrown around a bit today: what is your parameter range on fee increases?

Mr Gallagher—I cannot give you an estimate, Senator. It will vary across the sector. It will vary according to the nature and quality of the courses, the duration of the courses and the mix of offerings associated with each of the courses that institutions deliver.

Senator CARR—I noticed that the defence department is saying that, rather than competition having a dampening effect on the increase in postgraduate fees with the introduction of the PELS scheme, it fears that universities will take advantage of course shortages and the limited number of available places to impose higher fees. What do you say to that?

Mr Gallagher—It is just as well that the universities are within the ambit of the education department.

Senator CARR—Is that right? So you have had no discussion with the defence department about their concern?

Mr Mutton—There is no limit on the number of places; they are fee paying places. We do not create the number of places. The government has no control over that. The universities offer whatever number of places they think appropriate.

Senator CARR—You may be contemptuous of the Department of Defence views on education, but their defence college is running quite a successful series of programs, is it not?

Mr Gallagher—Defence is contracting a lot of its courses to Open Learning Australia.

Senator CARR—That is right. But there are legitimate concerns about Defence education, aren't there? Their officer training programs are heavily relied upon for their quality and their price. They pay for the cost; they do not have HECS subsidies or the like. They pay for them directly as an employer, so they are entitled, presumably, to have a view.

Mr Gallagher—And one would think that they also can exercise leverage, given the scale on which they purchase, to get good value for money.

Senator CARR—You have talked with employers a fair bit about their needs. Have you talked to the defence department, as a major employer, about their concerns?

Mr Gallagher—Indeed we have.

Senator CARR—Did you tell them that it is just as well that they are running the Army and not the universities?

Mr Gallagher—I do not think we are competent to run the Army.

Senator CARR—I am very pleased to hear that—and I bet you they are as well.

Mr Mutton—I think we should say in the record, Senator, that we are responding to what you said. We have not actually heard what was said.

Senator CARR—Of course; when all else fails, blame the opposition. It will be an interesting discussion next time you meet them. Could I ask you about Professor Chapman's comments in regard to these matters. I take it that you have read his submission?

Mr Gallagher—Yes.

Senator CARR—First of all, how do you respond to the suggestion regarding the capacity for universities to increase their charges? Do you think he is right?

Mr Gallagher—Professor Chapman makes a number of points in his submission and, as usual, it is quite a thoughtful submission. The primary point that he makes is to welcome the development of income contingent loans at the postgraduate coursework end. He sees that as an improvement on the current regime of up-front fees.

Senator CARR—He is hardly a big fan of this particular scheme, though, is he?

Mr Gallagher—He has some views that are a bit curious. He identifies three sorts of options for containing what he sees as a tendency, once you make finance more readily available to students, for universities to jack up their prices. His three options are: to regulate the fees directly; to cap the borrowings, as the government is proposing through this bill, via a discretion of the minister if necessary; or, his preferred option, to impose a real interest rate and make the loan less attractive to students. It is clearly not government policy to impose a real interest rate, so there is a fundamental policy conflict.

Senator CARR—He suggests that there is an imbalance in the subsidy, particularly in regard to the HECS scheme. He says that it could be redressed through the introduction of a discount for up-front fee payments. How do you respond to that proposition?

Mr Gallagher—I think he confuses HECS and PELS. HECS is both a fee and a loan, where the government sets the fee. The government is obtaining from private beneficiaries of higher education a contribution which defrays the outlays that general taxpayers would otherwise have to make. In order to balance the revenue interests of the government in respect of recouping those charges, the government has produced a number of measures, including an up-front discount. What Bruce has suggested for the pure loan scheme is to effectively increase the amount borrowed by the student by 25 per cent, which imposes a real rate of interest under the PELS scheme when there is no real rate of interest under the HECS scheme. That, as I said, is not a policy that the government would take.

Senator CARR—He has suggested that you have underestimated the financial impact of this scheme.

Mr Gallagher—He thinks that it is too generous. I do not think he is saying that we have underestimated it.

Senator CARR—No, I am talking about government revenue. You are quite right: he does say that it is too generous. He says that you have underestimated the impact of the arrangements and that you have underestimated the cost to the budget. He says that the real interest rate subsidy, the effective bad debt and a couple of other things in his submission to the inquiry suggest that the claimed $35 million surplus to the budget will not be met.

Mr Mutton—I do not know whether Professor Chapman has access to the Australian Government Actuary. It is the Australian Government Actuary who determines the doubtful debt figure, and I do not think Professor Chapman has access to that figure. We would follow the Government Actuary figure.

Senator CARR—So you would dismiss that too?

Mr Mutton—I can only say that we have alternative advice from someone who has access to more data than Professor Chapman can have—but he has the right to an opinion.

Senator CARR—Professor Quiggan is another one who has put views to us at a recent inquiry. He says:

> The recently announced extension of the contingent loan scheme to postgraduates illustrates the confusion of thought that characterised the current government's approach to education funding. Under the current proposals, the amount of the available loan is to be capped only by a fee charged by the university, hence the largest subsidy goes to the most expensive courses—primarily to the MBA courses—and moreover there is a strong incentive for providers of courses, particularly those with a residential component, to bundle items of luxury consumption such as travel into the subsidised fee. This proposal has the potential to become a bottomless sink for public subsidies, with limited social benefits.

How do you respond to that?

Mr Mutton—It is not a grant. Why would you take out a loan to do some travel that you wanted to do when you do not really want to do the course when all you save is interest, but you are paying for a whole lot of other stuff that implicitly you did not really want? Why would you pay for the lecturers and all the rest of it in the fee and have to repay the amount? It seems to be drawing rather a long bow. For a grant, it might be a rather different matter. The subsidy is an interest rate subsidy.

Senator CARR—Sure. What impact does the PELS scheme have on taxation concessions for individuals?

Mr Mutton—If you take out a PELS loan you do not get a taxation concession.

Senator CARR—So there would be no incentive there. What do you think the impact would be if we were to move an amendment in the Senate to separate the PELS from the HECS quantum in terms of the ministerial discretion on the cap?

Mr Gallagher—Our advice, in consultation with the Australian Taxation Office, is that that is simply unworkable.

Senator CARR—Why?

Mr Mutton—Currently, the legislation provides for a single debt for all purposes—repayment purposes, advice purposes and so on. If you created two debts, students would have to identify which debt they were paying off in a particular payment. You would have to have parallel systems for the two debts, and the advice of the Taxation Office is that it would be far more complicated and expensive to administer the scheme—

Senator CARR—Can we have access to that advice?

Mr Mutton—It was oral advice.

Senator CARR—Oral?

Mr Mutton—Senator, I do not tell lies to the Senate.

Senator CARR—Mr Mutton, I do not think I have actually accused you of that.

Mr Mutton—You are questioning my advice. I am telling you that the Australian Taxation Office has provided us with that advice.

Senator CARR—It is not a profound proposition that you are putting to us: possible amendments are unworkable—that is quite a serious suggestion—

Mr Mutton—At reasonable cost.

Senator CARR—I see. What I would like from you is any form of advice that we can assess, given that you are saying that this is most urgent. Clearly, the position that has been put to us by the Australian Vice-Chancellors Committee is that this committee should recommend that the bill be amended and the HECS from PELS be divided in regard to the total amount for the cap.

Mr Mutton—That amendment would not have any effect on the overall debt that students incur. That is what would be an issue, not the particular PELS debt; it is the overall burden on students that you would be taking into account. Dividing those artificially divides the burden on the student. This is meant as a protection for students.

Senator CARR—Obviously, these are quite serious issues and I think we would be entitled to get further advice on that matter if you are saying—

Mr Mutton—We can provide you with advice on why it would cost more.

Senator CARR—But that is not unworkable?

Mr Mutton—I said it was unworkable at a reasonable cost. There is no particular gain to be made and it would not address the issue of overall debt burden on students if that were to become a problem.

Senator CARR—A number of the submissions put to the committee suggest that this is a highly inequitable arrangement that will disadvantage students from working-class backgrounds and people with lower incomes. What do you say to that?

Mr Mutton—I am sure it would not make it any more disadvantageous than if you made it difficult to get a loan for expensive courses.

Senator CARR—A number of issues have been pursued generally with regard to education. Mr Gallagher, you mentioned this in your opening statement about Backing Australia's Ability. There are questions that come about with regard to this that relate to Australia's place in the world in these things. Could you advise me of the department's current position on the total equivalent full-time students administrator? Do you have that information available?

Mr Gallagher—Do you mean total enrolment?

Senator CARR—Yes.

Mr Mutton—Total domestic students?

Senator CARR—Yes.

Mr Mutton—There are 464,435 equivalent full-time students.

Senator CARR—And with international students on top of that?

Mr Mutton—There 95,607 overseas students.

Senator CARR—What is the total number of full-time university teachers available at the moment?

Mr Mutton—Are you working towards the student-staff ratios?

Senator CARR—Yes, that is where I am going.

Mr Mutton—Is your methodology the same as the OECD's?

Senator CARR—This is the point that comes about. The department, I understood, made a fair bit of noise about this issue. In previous questions that I have asked you on these matters, you have advised me that the ratio for 2000 was about 18.8. Is that right?

Mr Mutton—Of that order.

Senator CARR—The recent OECD figures say that it was only 16.9. Which one is it?

Mr Gallagher—The OECD figures deal with conventions that allow for some broad comparisons across national jurisdictions. The conventions that the OECD uses include research only as well as research and teaching, whereas in Australia we exclude research only because, by our definition, they are not teaching. So there are differences in the way in which we compile figures for our domestic purposes, and there are differences that the OECD has to use in order to get some broad comparisons. Other countries do not have the fine disaggregation of staffing data that we have. If you are looking at broad comparisons over time, and you want to look at trends across countries, the OECD will give you at least some trend. If you want to look at the situation, you are best to look at our domestic figures.

Senator CARR—Your domestic figures show, for instance, that in 1996 the ratio was 16 to one and now it is 18.8 to one on the domestic figures, so there has been a deterioration.

Mr Gallagher—A deterioration?

Senator CARR—There has been a deterioration in that there have been larger class sizes in Australian universities.

Mr Gallagher—No, we are talking about ratios of students to staff, not class sizes.

Senator CARR—Would you say that the ratio of staff to students has seen a larger number of students per teacher over the last couple of years?

Mr Gallagher—I think there have been changes in the delivery technology of education. Classes are not necessarily larger but more students are doing online components of their courses.

Senator CARR—But if were to compare like with like, we would say that in 1996 it was 16 to one and now it is 18.8 to one.

Mr Gallagher—Yes, but I am saying there has been a change in the delivery technology in the process.

CHAIR—You would not have the ratio for 1983, would you?

Mr Gallagher—I can get it.

CHAIR—Take that on notice, thank you. We will see what the ratio was back then.

Senator CARR—The other issue is the impact of a review. How often do you intend to review these guidelines and the operation of the scheme? Is there any intention built in for a review process?

Mr Mutton—No, it would be ongoing.

Senator CARR—You have seen the suggestions in the submissions that we should institute a review process in the legislation?

Mr Mutton—Yes, there is a provision not unlike that in relation to HECS.

Senator CARR—Finally, this bill essentially proposes amendments to three pieces of legislation: state grants, ARC and higher education. You have other higher education amendments coming through the system, have you not?

Mr Gallagher—From the budget? Yes.

Senator CARR—Yes, from the budget measures. What is the impact of actually separating out the ARC components—which you say are very worthy and need to be assessed—the HEFA, the High Education Funding Act proposals, and the states grants for schools proposals?

Mr Evans—Senator, I am presuming it would be necessary for redrafting to occur.

Senator CARR—No it would not—you split the bills. It is a pretty straightforward process. You wander down to the Senate clerk and ask for amendments to be drawn up to separate out the three separate bills. What is so difficult about that?

Mr Gallagher—I think that is a government policy call. It is not proper for us to—

Senator CARR—There would be nothing administrative. The states grants matters are not in any way tied to the higher education funding matters or the ARC matters.

Mr Gallagher—No, it is an omnibus.

Senator CARR—Absolutely. That is the question I want to address.

CHAIR—Senator, the officer has said it is a government policy matter and not their matter.

Senator CARR—It would be entirely a political response. Thank you very much.

CHAIR—Thank you. That concludes our hearing into the Innovation and Education Legislation Amendment Bill 2001. I thank the officers for appearing.

Committee adjourned at 12.51 p.m.