



COMMONWEALTH OF AUSTRALIA

SENATE

Official Committee Hansard

EMPLOYMENT, EDUCATION AND TRAINING
LEGISLATION COMMITTEE

FRIDAY, 27 FEBRUARY 1998

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CONTENTS

FRIDAY, 27 FEBRUARY

Department of Employment, Education, Training and Youth Affairs— Program 2—Higher education—Subprogram 2.1—Higher education system	170
Program 5—Student, youth and Aboriginal education support— Subprogram 5.1—Education assistance and income support	186
Subprogram 5.2—Youth policy and support	193
Program 6—Portfolio administration and advising—Subprogram 6.1—Portfolio management, advising and analysis	197

SENATE

FRIDAY, 27 FEBRUARY 1998

EMPLOYMENT, EDUCATION AND TRAINING LEGISLATION COMMITTEE

Portfolios: Employment, Education, Training and Youth Affairs

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

Senators in attendance: Senators Carr, Colston, Ferris, Lundy and Tierney

Committee met at 8.37 a.m.

**DEPARTMENT OF EMPLOYMENT, EDUCATION, TRAINING AND YOUTH
AFFAIRS**

Proposed expenditure \$62,996,000 (Document A).

In attendance

Senator Ellison, Minister for Schools, Vocational Education and Training
Department of Employment, Education and Training

Mr Wayne Gibbons, Deputy Secretary

Mr Peter Grant, Deputy Secretary

Program 2—Higher Education

Mr Michael Gallagher, First Assistant Secretary, Higher Education Division

Mr Bill Mutton, Assistant Secretary, Funding Branch

Dr Tom Karmel, Assistant Secretary, Operations Branch

Ms Stella Morahan, Director, Private Funding Section

Program 5—Youth, Students and Social Policy

International, Equity, Youth, Students Division

Mr Colin Walters, First Assistant Secretary

Ms Frances Davies, Assistant Secretary, Youth Bureau

Dr Peter Whitney, Assistant Secretary, Student Assistance Policy Branch

Mylinh Hardham, Assistant Secretary, Equity and Participation Branch

Mr John Rowling, Assistant Secretary, AIEF Branch

Barbara Bennett, Assistant Secretary, International Policy Branch

Centrelink

(Attendance during Program 5)

Fiona Howell, National Manager, Youth and Students

Ms Pam Silkstone, Manager, Youth Allowance

Program 6—Portfolio Administration and Advising

Analysis and Evaluation Division

Dr Wendy Jarvie, First Assistant Secretary

Dr Paul Volker, Assistant Secretary, Economic and Labour Market Analysis Branch

Ms Linda Lipp, Assistant Secretary, Skills Analysis and Research Branch

Mr William Thorn, Assistant Secretary, Evaluation and Monitoring Branch

Mr Bob McHugh, Director, Sectoral Analysis Section

Human Resources Division

Mr Bill Burmester, First Assistant Secretary

Mr Tony Swift, Acting Assistant Secretary, Purchasing Branch

Systems Division

Mr John Burston, First Assistant Secretary

Operations and Performance Division

Mr Bob Correll, First Assistant Secretary

Mr Pat Watson, Assistant Secretary, Finance Branch

Legal and Review Division

Mr Brian McMillan, First Assistant Secretary

Mr Keith Thomas, Acting Assistant Secretary, Fraud Prevention and Benefits Control Branch

DEETYA Secretariat

Finance Branch

Mr Robert Hesterman

Ms Paula Ridgway

CHAIR—I declare open this adjourned public hearing of the Senate Employment, Education and Training Legislation Committee. When we adjourned on Wednesday night, we were considering subprogram 2.1, the higher education system.

Program 2—Higher education

Subprogram 2.1—Higher education system

Senator CARR—At our last hearing, the officers undertook to provide us with an assessment of the claims made regarding up-front fee paying courses for Australian undergraduates. The claims were made in an article in the *Campus Review*. Have you had an opportunity to examine those claims?

Mr Mutton—Yes. We can provide you with a table showing what we know at this point. I think I explained last time that the enrolment process is not completed. We do not know exactly how many enrolments there are, in what courses they are in and what fees are involved. We are still working on estimates. We have indications of 794 confirmed fee paying place enrolments. If we worked on the average that we worked on previously for fees of \$10,000 per place, that would be something like \$8 million. That is probably a bit low, because some of these courses are quite expensive courses compared with the \$10,000 figure.

Senator CARR—Do you think it is a minimum of \$8 million?

Mr Mutton—I think so, yes.

Senator CARR—Is that the sort of figure you expected when this program was introduced?

Mr Mutton—The minister's funding report, which was produced in December last year, carried the universities' own projections of 1,300 places this year at revenue of \$13 million.

Senator CARR—So it is a little light on?

Mr Mutton—So far.

Senator CARR—What is your expectation of meeting that target of \$13 million?

Mr Mutton—It is hard to say other than that the best advice we have is that it looks like at least \$8 million. The gap is hard to judge. It is not a target. The 1,300 was simply the universities' own projection.

Senator CARR—It is a projection target. What do you expect in the out-years?

Mr Mutton—By the year 2000, the universities' projection suggested 3,500 places.

Senator CARR—So we can draw no conclusions at this point as to the adequacy of that projection?

Mr Mutton—No. That is on the basis of eight universities offering fee paying places. They may well have been quite conservative. That 3,500 really represents a steady state. If you had 1,300 new students again next year, you would end up with 3,500, roughly.

Senator CARR—You thought that 700 had been accepted this year?

Mr Mutton—Nearly 800.

Senator CARR—Are we up to second or third round offers?

Mr Mutton—Just about the final offer. The universities are starting next week.

Senator CARR—It strikes me that at this point in the academic year, with somewhere between 700 and 800 students having been accepted and the universities starting next week, it is unlikely that the target figure of 1,300 will be met.

Mr Mutton—It is unlikely that it will go down. It is unlikely that it will go up dramatically. That is certainly true.

Senator CARR—If you saying that there are between 700 and 800 confirmed take-ups, there is no way that that figure could go down.

Mr Mutton—You can withdraw—this applies to fee paying places—until the census date of 31 March.

Senator CARR—In real terms, is it likely that it will only go down?

Mr Mutton—I do not think so. These are not necessarily the latest figures that the universities have individually. It is what we have available to us.

Senator CARR—If on your estimates you are 500 down at this point on the projection for the first year, how realistic do you think the assessments are for the out-years? Why should there be an improvement next year, for instance?

Mr Mutton—It may be that more people recognise the opportunity to buy a place in the course that they prefer rather than the one that they get through the HECS round. That is one possibility. It may be that universities feel freer to promote these places than they have in the past. It is hard to know. They are the universities' own projections. As I say, they are based on the same number of commencements each year. We will have to see.

Senator CARR—Essentially, you are relying on the institutions to tell you what they think is going on. If they are out by 500, can we argue that they are realistic in the out-years? They

have it wrong this year. There is a very significant differential between what is projected and what has actually happened.

Mr Mutton—In terms of revenues, it is not terribly significant. It is \$5 million less at maximum in a total budget of \$8.1 billion.

Senator CARR—But they predicted 1,300 students. They are 500 students down on 1,300. That seems to be a significant shortfall in the projection. You say that the revenues do not matter in that they are the global budgets of the universities. That is the whole point. This exercise is very limited in its impact in real terms because so few students have taken it up.

Mr Mutton—So far, yes.

Senator CARR—So far. Is there any work going on by the government to establish the accuracy of these enrolment projections? You are relying on the universities to tell you. What do you believe?

Mr Mutton—They are simply projections. A lot depends on how active they are in promoting this opportunity to students. Are they going to go at it very hard—

Senator CARR—They certainly are.

Mr Mutton—Or are they just going along with the policy?

Senator CARR—They are going at it very hard, aren't they?

Mr Mutton—Most universities are not offering them at all.

Senator CARR—Most universities are not. That was the whole point of the exercise. It was only geared at those who could afford it—the sandstone universities. It is not a project for everybody. It is only for those who have the money, by its very nature. Those universities are going at it hard with their advertising campaigns and the like. They have only been able to attract this number. There is a significant shortfall. I ask again: has the department undertaken any independent assessment of the university projections?

Mr Mutton—No.

Senator CARR—Do you plan to?

Mr Mutton—No. We will take a keen interest in the outcome for 1998. I expect that we will be making profiles with universities about how they propose to go about this in 1999 and beyond. We will make assessments on the basis of that and other factors, such as demand.

Senator CARR—In previous estimates, we have had assessments that the number of publicly funded places has declined from the 1996 forward projections by 21,000.

Mr Gallagher—We have never conceded that assertion.

Senator CARR—Mr Phillips, I recall, certainly conceded 19,000.

Mr Gallagher—Off the forward estimates. There was never a reduction in the actual number of places.

Senator CARR—They conceded it off the forward estimates.

Mr Gallagher—Which was a projection.

Senator CARR—It was a projection.

Mr Gallagher—It was never an actual number of students. There will actually be 14,000 more undergraduate fully funded places in the year 2000 than there were in 1996.

Senator CARR—When I read in the *Higher Education Triennium* a predicted drop of 1,700 places, would you say that I have misread the report?

Mr Gallagher—Which page of the report?

Senator CARR—I do not have a particular page here. Are you saying that that is incorrect?

Mr Gallagher—In terms of the places that the Commonwealth is funding and the comparison of the year 2000 with the year 1996—I can give you any other year if you prefer—for undergraduate places there was an increase of 14,250 and for the total load there was a reduction of 7,000, the reduction of 21,000 occurring at the postgraduate level.

Senator CARR—The 21,000 was a postgraduate reduction?

Mr Gallagher—Yes.

Mr Mutton—That is in places available for postgraduates.

Senator CARR—I will move on to the West report. Can you, Minister, advise the committee when the final report of the West committee will be available?

Senator Ellison—I understand that a date of 27 March has been previously stated. I understand that the committee is working towards that and that it is on schedule. That is a date which has been mentioned before. It could be later.

Senator CARR—I have read reports that it is actually to be delayed. Why do you say that it could be later?

Senator Ellison—I understand that at this stage the committee is on schedule.

Senator CARR—Why do you say that it could be later then?

Senator Ellison—Because nothing is certain in this world. If I say that there is a date, something could transpire in between, which means that it is not on time. That is the current information.

Senator CARR—I read in the *Campus Review* of 25 February that Minister Kemp has announced that the report would not be presented to the government until mid-April.

Senator Ellison—That is something I am not aware of.

Senator CARR—And the officers are not aware of that?

Mr Gallagher—I am not aware of any such announcement, Senator.

Senator CARR—It is a direct quote from this week's *Campus Review*.

Mr Gallagher—It may not be an accurate report.

Senator CARR—That is a reasonable response. Can you indicate to the minister what discussions there have been with Mr West with regard to the final report?

Senator Ellison—This is not an area of my responsibility. I will have to take that on notice.

Senator CARR—Mr Gallagher, can you advise the committee? I understand that the minister is taking it on notice. I presume, Minister, you are referring to government's discussions with Mr West.

Senator Ellison—You asked about the minister.

Senator CARR—I did, absolutely. I am trying to distinguish between two questions. I have asked the minister what discussions there have been with Mr West. I am asking Mr Gallagher what discussions the department undertook with Mr West.

Mr Gallagher—The department has had no conversations.

Senator CARR—Are you able to confirm that in that final report there will be recommendations on the appropriate balance of funding between public and private sources for universities?

Mr Gallagher—The West committee is an independent committee.

Senator CARR—I understand that, Mr Gallagher. I am asking the government a question.

Senator Ellison—That would be like me asking you to say what is going to be in a Senate committee report before it is delivered.

Senator CARR—We had a revelation at this committee before by the former minister, Minister Vanstone, that she had invited Mr West around for a bit of a chat. I am wondering whether that process has continued under the new administrative arrangements.

Senator Ellison—Again, I will have to take that on notice.

Senator CARR—I wonder whether the West report will have any bearing on the government's decisions with regard to the current triennium of finding.

Senator Ellison—Again, it depends on what the report says. I do not have a crystal ball. I cannot tell you that.

Senator CARR—Have there been strategic decisions taken for the next triennium report from 1998 to 2000?

Mr Gallagher—No.

Senator CARR—None at all?

Mr Gallagher—No.

Senator CARR—So these questions are all entirely open?

Mr Gallagher—Yes.

Senator CARR—Minister, are you familiar with the reports in the media from business organisations? The business higher education chief executive officer suggested that the West review was of limited value. 'Education review branded a failure', I believe are the terms used by the newspaper.

Senator Ellison—The committee has not reported. Are they saying that there has been a report which they have in their possession?

Senator CARR—The interim reports have been received. The final report has not been received.

Mr Gallagher—There was no interim report. There was a discussion paper, which was put out for the purpose of stimulating debate. It certainly did that.

Senator CARR—The discussion paper has failed in its task and there has been a call for a major rewrite of its main proposals: those are the charges levelled, according to the *Age* report that I am referring to. Are you familiar with those reports?

Senator Ellison—No, I am not. Do you have copies of those news reports? If so, perhaps we could look at them.

Senator CARR—I could give you a copy. These are not exactly secret documents. We are talking about the front page of the *Age*.

Senator Ellison—I do not have a photographic memory of all the articles that appear on the front page of the *Age*.

Senator CARR—I suspect that we will not get very far with this.

CHAIR—True.

Senator CARR—If the minister cannot even recall these remarks, which I suggest are highly significant in terms of the way that governments normally operate—

CHAIR—They are just newspaper reports.

Senator CARR—Are you saying that they were not made?

Senator Ellison—No. I am just saying that perhaps you could assist me with what the remarks were.

Senator CARR—I will get them photocopied. I will come back to that.

Senator Ellison—I do not mean to hasten things, but we have some officers waiting to come over from the department for program 5. Rather than have them wait unduly here, it is preferable to have them in the department where they could be going about their duties. Can I have an indication, which I know is difficult—

Senator CARR—About half an hour. I trust that we could conclude these proceedings by lunchtime today.

Senator Ellison—That is of assistance.

Senator CARR—That is my intention. I do not know whether we can fulfil it. While we are waiting for those documents, I will ask a few more questions. Has there been any discussion within the department on the implications of the multilateral agreement on investment, the MAI, for the Australian higher education sector?

Mr Gallagher—This is a proposal still under consideration within the auspices of the OECD. We are taking advice from our councillor in the OECD on that matter with a view to looking at its implications.

Senator CARR—But you have not already. I understood that the ratification process was due to commence soon. This has been negotiated since 1995.

Mr Gallagher—We are still taking advice.

Senator CARR—That is extraordinary.

Mr Gallagher—It is a complex issue.

Senator CARR—If it is a complex issue, that is all the more reason why you would have been looking at it earlier.

Mr Gallagher—We are. We are taking advice from our councillor.

Senator CARR—Do you have any view as to the implications for higher education at this point?

Mr Gallagher—We have not firmed on a view.

Senator CARR—Have you produced any discussion papers on this?

Mr Gallagher—No, Senator.

Senator CARR—What has been the level of consideration of this treaty within the department?

Mr Gallagher—Internal consideration only.

Senator CARR—What do you mean? You sat around and had a cup of coffee and talked about it? Has there been any formal consideration of this?

Mr Gallagher—We have a councillor posted to the OECD in Paris. In conjunction with the officials of the OECD secretariat, there is work being done which can provide input to our considerations of the implications of that agreement for higher education.

Senator CARR—What has been the level of communication?

Mr Gallagher—There is not a particular urgency about this matter.

Senator CARR—Why is that? Is it due for ratification or not? Mr Grant, are you familiar with it?

Mr Grant—Not directly. I am not.

Senator CARR—I ask you to take on notice the department's response to the suggestions that this treaty has significant implications for Australian higher education funding and legislation. Australia already lists two private providers, the Marcus Oldham Farm Management College and the Avondale Seventh Day Adventist College, in its schedule to the Higher Education Funding Act, which relates to eligibility for the receipt of Commonwealth funds. These two organisations, I understand, operate on an international basis.

Is it the case that the government has listed higher education issues as part of its planned reservations under the MAI, as other governments have? To what extent will this treaty affect the operation of higher education institutions in Australia? In particular, what implications will there be for the legislative framework of higher education funding in this country if this treaty is ratified without those reservations being noted? Is it a fact that under these treaties, unless there is an explicit reservation lodged by government, those areas are automatically covered by the treaty? I take it that since there has been apparently so little discussion on it you cannot answer these question now?

Mr Gallagher—We will take it on notice.

Senator Ellison—Senator Carr, I will go back to your previous question now that I have a copy of those articles. The committee, I understand, has taken on board the comments and has embarked on further consultation. One of the comments was that the discussion paper should have started a robust debate. Looking at the article and some of the comments, I would say that it is a pretty good start to the debate. But there has been further consultation and that is where it is at.

Senator CARR—Can you confirm that a voucher system has been ruled out, as reported recently, Minister?

Senator Ellison—Yes, that is right.

Senator CARR—You can confirm that?

Senator Ellison—Yes, I can confirm that.

Senator CARR—What is the government's time line for formulation of a response to the recommendations of this final report?

Senator Ellison—It depends on the report. It depends what it comes up with. The time really is governed by the content of the report.

Senator CARR—That is an obvious response, Minister. I am concerned, nonetheless, if you are not aware, as it would appear, that Dr Kemp has announced that the report has been delayed. I am concerned to ensure that the government is in fact working to a timetable which will see a speedy response to the final report of the West review.

Senator Ellison—It is an important report and the government will give it its normal consideration.

Senator CARR—Okay. The training funding report into higher education funding has predicted that international fee-paying student numbers will increase from 1996-2000 as follows: 11,000, or 83 per cent, for postgraduates; and 30,000, or 69 per cent, for international students. Is that the case?

Mr Gallagher—Yes, Senator. On page 5 of the funding report. There is a serious footnote to those projections.

Senator CARR—Can you draw that to my attention?

Mr Gallagher—The document reads:

The projections for the years 1997, 1998, 1999 and 2000 in figure 1.1 must be treated with caution. It is possible that the current economic downturns and change to domestic policy settings for several Asian nations in the latter part of 1997 may lead to lower than expected effective demand for courses in Australia by overseas students (though it should be noted that currency devaluations may strengthen Australia's position in the education export market by widening the cost gap between us and our major competitors).

Senator CARR—That is exactly the point that I want to raise: what is your projection at the moment of the impact of the economic crisis in Asia?

Mr Gallagher—The advice is that in 1998 there is an increase in overseas numbers over 1996, but the rate of increases in the future years will be slower than previously projected.

Senator CARR—How have you reached that conclusion?

Mr Gallagher—We have consulted with the AVCC. They have consulted with their institutions. The institutions have taken soundings in their markets overseas.

Senator CARR—So we are basically in the hands of the marketing departments of the universities?

Mr Gallagher—Yes. They are the ones who have a direct interest in this business and need to know their markets. The department is able to access their advice.

Senator CARR—How significant is the overseas market now to Australian higher education?

Mr Gallagher—In terms of overseas student revenue in 1997, it represents \$640 million on a base of \$8.4 billion.

Senator CARR—It is quite a significant sum of money, \$640 million. Do you have any growth forecasts now?

Mr Mutton—The forecast is around \$0.4 billion between 1996 and 2000.

Senator CARR—You said: \$0.4 billion growth?

Mr Mutton—Yes.

Senator CARR—When were those projections made?

Mr Mutton—Quite recently. As Mr Gallagher has indicated, there have been soundings and the approximation in the funding report has been confirmed by the latest advice. But, clearly, we are still talking about a few years out.

Senator CARR—You say that that estimate is recent. When was it made?

Mr Mutton—In the last few weeks.

Senator CARR—So what do you expect in terms of total numbers over the forward years?

Mr Mutton—In terms of revenue?

Senator CARR—No, numbers of students for a start.

Mr Mutton—An increase from 54,000 in 1996 to 75,000 in the year 2000.

Senator CARR—What do you think the effect of the downturn in the regional economies will be in numbers terms? What is your expectation? You say that the growth rate is going to slow; that is essentially the argument you are putting, isn't it?

Mr Mutton—It has been growing very rapidly, so it is a slow down in growth rather than a reduction.

Senator CARR—What is the net effect? How many fewer students are likely to appear?

Mr Mutton—There are not fewer students.

Senator CARR—Fewer than expected.

Mr Gallagher—The slow down is in South-East Asia. There are actually increases in India and in China, and the advice from the AVCC to us is that that could well offset the decline in South-East Asia.

Senator CARR—I thought you might say that. That leads me to the next question: what action has been taken in regard to visas for students from those countries?

Mr Gallagher—This question would be better addressed to people in the International Division. It is not our responsibility.

Senator CARR—They will be appearing later on. What program is that?

Mr Gallagher—Program 6.

Senator CARR—Have you taken the opportunity to provide advice to that section of the department?

Mr Gallagher—There has been dialogue, but it is their responsibility. I do not think it is proper for me to comment.

Senator CARR—They do not rely upon the Higher Education Division to provide advice on these matters?

Mr Gallagher—They consult us, but they have their own intelligence networks and the Australian International Education Foundation also looks at this matter.

Senator CARR—I will take it back to your area of responsibility. I read reports of the IDP Education Australia of November 1997, entitled 'The Asian economy crisis and education exports'. What significance have those projections had on your assessments?

Mr Gallagher—That was one input. We also engaged an independent consultant to give us advice and, as I said before, we have consultations with the AVCC, and our International Division is accessing other sources.

Senator CARR—So you are confident that your figures are right?

Mr Gallagher—Which figures?

Senator CARR—Your projections of the growth rate for overseas students.

Mr Gallagher—The ones which Mr Mutton just gave you?

Senator CARR—Yes.

Mr Gallagher—They are our best estimates on current information.

Senator CARR—The *Sydney Morning Herald* of Monday, 23 February reports that some academic sources are claiming that overseas enrolments for students from Asia could drop by

up to 20 per cent this year. Have you seen those reports? Do you think that is a reasonable estimate, or do you discount those reports as alarmist?

Mr Gallagher—I do not know which countries it is referring to and who the author is.

Senator CARR—The report is by Luis Garcia, and it was in Monday's *Sydney Morning Herald* at page 10.

Mr Gallagher—We would certainly want to verify that.

Senator CARR—I ask you take on notice a response to the claims made in that article. How do they stand, given the figures that you have just indicated to us?

Mr Gallagher—We are happy to do so, but we would really need to take the advice from our International Division.

Senator CARR—This is a question which is better put to them, is it?

Mr Gallagher—At program 6, yes.

Mr Mutton—The figures we have given you come from the International Division.

Senator CARR—The International Division would need to assess this as well, but the claims are made here that overseas students in Australia contribute an estimated \$3 billion to the national economy, and that \$1.3 billion goes straight to universities and private training and language colleges. That is considerably more than the figures you have given me.

Mr Grant—The estimates you have just quoted, as I recall, relate to overseas students in all sectors of education and training. As I recall, the figures which Mr Mutton quoted before relate solely to higher education students. If I may, I think it is fair to say that—and we can pick this up again if you wish under program 6—of their nature, any projections or forecasts of this character are necessarily speculative to a degree, especially given the instability in the international markets at the moment, especially those of our region. Any such projections are subject to a significant number of qualifications.

Senator CARR—Of course they are, by their nature, speculative. However, given the significance of Asian students to the Australian higher education sector, I am alarmed by the claims that are being made that there is likely to be a 20 per cent drop in the number of students in our institutions. Given the significance of this sector, I would have thought even a relatively small shift in the number of enrolments would have quite significant impacts on the funding arrangements for our universities. When you include, on top of that, private training and language colleges—so we take a broader view of our tertiary sector—then it may well be that even greater impact could be registered. I am concerned that the department is actually across these issues and is able to advise this committee on the accuracy of those claims.

Mr Grant—We are across these issues and we would be happy to pick them up, as Mr Gallagher has indicated, when we come later to the consideration of international education matters. As Mr Gallagher has already indicated, we would certainly wish to test the source, credibility and basis of the particular figures that you are quoting. Certainly, I think it would be folly to simply take them at face value.

Senator CARR—All right. You were predicting a 10 per cent growth in enrolment figures. Is that the case?

Mr Mutton—Somewhat more than that.

Senator CARR—What is the figure?

Mr Mutton—The figures we were given showed a growth from 54,000 to 75,000 by 2000. That is the number of students. This is higher education, as Mr Grant said. Higher education is holding up better than some other sectors.

Senator CARR—How does that compare with what you previously believed to be the case?

Mr Mutton—You would have to ask the International Division that.

Senator CARR—I will ask them what the change in the projections has been. My final point is that the universities seek a significant contribution to their operating profits from overseas students. What is the average contribution per student now? It has been put to me that the contribution to the operating profit of universities is about \$6,000. Would that be a reasonable estimate? What is the profit rate on an overseas place?

Mr Gallagher—The policy is that the institutions must set their fees for overseas students at a cost recovery level.

Senator CARR—Of course. Presumably they make a profit out of it, don't they?

Mr Gallagher—That is commercial-in-confidence.

Senator CARR—Are you able to give me an assessment of the claim that there is an average profit of \$6,000 per student?

Mr Gallagher—We could do that, Senator.

Senator CARR—Thank you. Given that there has been such significant drops in revenue to universities as a result of federal budget cutbacks, what impact has this decline in overseas students had on the operating budgets of universities?

Mr Gallagher—We will take that on notice.

Mr Mutton—It is important to emphasise that it is not a decline in the number of students. There are actually more students but a declining rate of growth. The latest estimates confirm the figures in the funding report for the triennium. As Mr Grant said, they are speculative and that is why the footnote was made.

Senator CARR—Yes. We are probably going around in circles on that point. I will take it up with the international section.

Mr Grant—If you intend to return to the material of those newspaper articles from which you quoted, it would be quite helpful if the secretariat could give us copies of those articles so that we can come back to you under program 6 with some commentary on them.

Senator CARR—Yes. Lord Ron Dearing, chairman of Britain's review of higher education, recently visited Australia. He was reported in yesterday's press as saying that the tertiary budget cuts were too severe. Do you have any response to those claims?

Senator Ellison—The gentleman concerned has his own views and experience of higher education in his own country. I do not know what experience he has had with higher education in Australia. I would think that he would need more experience with the Australian situation before making comments when visiting Australia.

Senator CARR—He is undertaking a review. He is making an international comparison of university systems. You would expect that he would have some expertise.

Senator Ellison—I understand that the figures he has relied on are not correct.

Senator CARR—Are you disputing those figures?

Senator Ellison—Yes.

Senator CARR—In what way?

Mr Gallagher—He claims a 25 per cent reduction. That is incorrect.

Senator CARR—Why?

Mr Gallagher—It is incorrect. We have done the sums.

Senator CARR—He includes the effects of the failure to provide supplementation to university academics. Did you get that figure?

Mr Gallagher—Yes.

Senator CARR—Are you saying that it is incorrect?

Mr Gallagher—Yes.

Senator CARR—That is the basis for the discrepancy, effectively, is it not?

Mr Gallagher—Yes, it would have to be. The six per cent is pretty easy to count.

Senator CARR—That is essentially the difference.

Mr Mutton—The six per cent cut in the 1996-97 budget was against the forward estimates. The implication that seemed to come through in that article was that it was a six per cent absolute cut against what they previously had. The operating grant has actually gone down by 1.8 per cent, so that leaves a fairly heavy burden on salaries to get up to 25 per cent.

Senator CARR—I was recently at Charles Sturt University. It was put to me that the university has suffered a \$30 million cut as a result of budget decisions of this government. Would you like to comment on that claim?

Mr Gallagher—Cut against what?

Senator CARR—Over the forward estimate period, the three-year period.

Mr Gallagher—It is not a real cut, Senator. A real cut is what you had last year compared with what you have this year.

Senator CARR—It is what they were planning to have. It is what they based their strategic plan and their growth rates on. Their whole business plan was, I presume, geared to what they were anticipating would be provided by government. That is the basis on which we have expected the university sector to function in the past, is it not?

Mr Mutton—Not entirely. The dollars per student figure that they get has remained stable.

Senator CARR—In terms of the triennium report, what plans have been made to advance institutions funds for the purpose of redundancies?

Mr Gallagher—There is a facility for advance of the order of \$25 million. A number of institutions approached us and are accessing that facility this year.

Senator CARR—Can you indicate to me where in the report that particular budget line is referred to?

Mr Gallagher—I think it is page 13, advance payments of operating grants. It says that in 1997-98 six institutions received advances to operating grants, mainly to assist with up-front costs associated with the implications of restructuring.

Senator CARR—Can you indicate to me which universities have applied for advances on their operating grants?

Mr Gallagher—We don't have the list with us.

Senator CARR—Will you take that on notice, please?

Mr Gallagher—Yes.

Senator CARR—Thank you. And can you indicate which of those universities have actually received advances, and the amount?

Mr Gallagher—Yes.

Senator CARR—I read in the press that the Deloitte Touche Tohmatsu report on the financial situation of universities has made the claim that a significant number of universities are facing financial difficulties. Are you familiar with those reports?

Mr Gallagher—Very familiar.

Senator CARR—Would you like to comment on that?

Mr Gallagher—Yes, Senator. The *Sydney Morning Herald* report by the author you referred to in another question was very erroneous and misleading.

Senator CARR—Why is that?

Mr Gallagher—In fact, the Deloitte analysis was undertaken after there were some rumours around the sector that a couple of institutions were technically insolvent. Because of the damage that such a claim can make to the reputation of the Australian higher education sector, we felt we had a duty of care to investigate the matter. We engaged Deloitte to do so. There are no technically insolvent institutions in the country. The Deloitte report demonstrated that basically the institutions are tightening their management in a significant number of areas but that the competitive environment does raise new risks for institutional managers.

Senator CARR—New risks, did you say?

Mr Gallagher—A competitive environment raises risks in terms of the very matters we have been discussing with you before. People make projections about the income they will obtain from fee paying domestic students or overseas markets and these estimates are prone to fluctuation and to competition. This is a new environment for the universities to be operating in. That is all the Deloitte report is really saying.

Senator CARR—On these risks that you say are now more evident, which universities in particular are more vulnerable to risk?

Mr Gallagher—It depends on the indicators that you seek to use. The Deloitte report was looking, from the published financial statements of institutions, to develop some tools which would give early warning signals to institutions to manage their risks.

Senator CARR—And which universities have had need to call upon these early warning signals?

Mr Gallagher—I think there is a matter here that you might wish to reflect on in the line questioning, if I may, in that we sought to look at the financial health of the sector as measured by the observations that an independent firm could make from the financial statements. We discussed those bilaterally in respect of each institution with the institutions. We do not think that it is helpful to disclose matters of financial risk in the public arena. We are confident that there is nothing dangerous in the current environment for any institution but that prudential management requires that people look to their internal cost structures and their external environment and are aware of what they are doing and what may happen. If we were to indicate particular institutions by particular risk factor, that itself could compound the difficulties for institutions in a commercial environment.

Senator CARR—I want to think about what you are saying, because there are some other policy implications as well. Are you able to assure this committee that no university is facing serious financial difficulties to the point of insolvency?

Mr Gallagher—To the point of insolvency, yes, Senator, I can assure you of that.

Senator CARR—You can assure us of that.

Mr Gallagher—I can. There are some institutions that have had financial difficulty in the recent past and we are confident that they are managing their way through that.

Senator CARR—Will you be making financial arrangements to support those universities?

Mr Gallagher—In respect of your previous question about the advance of operating grants, and also the restructuring and rationalisation program, factors that we took into account in the advice to the minister on the allocation of funds through those two programs had regard to the Deloitte analysis.

Senator CARR—And is that \$25 million sufficient to cover the demands?

Mr Gallagher—We believe so.

Senator CARR—So you think that would provide sufficient buffer. It is short-term financial assistance, presumably. Is that what you are talking about?

Mr Gallagher—The advances basically pay for a peaking of costs for a particular period of time in the anticipation that those cost structures come down in the ensuing years.

Senator CARR—These are advances they got off forward operating grants. Is that the case?

Mr Gallagher—Yes, they are repayable.

Senator CARR—So in fact all you are doing is actually getting money from future years that will have to be repaid. Are you not delaying a financial crisis in the universities?

Mr Gallagher—No, Senator, it sort of works a bit like this. If there is a staffing level of a certain number in year 1 and a proportion of those staff take redundancy, then in that year 1 there is a high cost. In effect, you are paying the year 2 redundancy costs.

Senator CARR—How many staff do you think the universities are going to have to shed, these particular universities that we are talking about? How many are there, do you think, that are under some strain at the moment?

Mr Gallagher—I would say there are four.

Senator CARR—How many staff will be required to be shed?

Mr Gallagher—That is a difficult question to answer. Cause and effect is difficult here, too, because in the new environment some institutions are looking at their best strategic positioning in terms of course rationalisation, new modes of delivery to students and entering new markets. There are a number of factors that they need to balance. They have internal processes but they also have internal enterprise bargaining agreements.

Senator CARR—So you cannot tell me how many they have to get rid of?

Mr Gallagher—I cannot say.

Mr Mutton—Just to be clear on this, the summary report on which the article was based said quite explicitly that no university faced any imminent crisis. It was at pains to point out that when it talked of risk it was simply talking objectively about the risk that exists in any sort of market situation.

Senator CARR—With the exception of the balance sheet!

Mr Mutton—It said quite explicitly that there was no imminent crisis for any university.

Senator CARR—To what extent have the recent amalgamations with TAFE colleges eased the financial difficulties of smaller regional universities?

Mr Gallagher—Are you talking about the Victorian ones?

Senator CARR—Yes.

Mr Gallagher—We do not know. There is quite a demarcation between the higher education budget and the VET budget for those institutions.

Senator CARR—Are you satisfied there is no leakage between the two budgets?

Mr Gallagher—We are obtaining the services for which we are providing the funds.

Senator CARR—So you are satisfied there is no leakage between the VET budget and the higher education budget?

Mr Gallagher—We do not look to such matters. It could well be that the power generation unit of a campus obtains its funds from two different lines on a cost attribution model. We do not go into the details of those internal accounting procedures. What we require is that the student places that we effectively purchase from the institutions are provided, and we are satisfied that we are obtaining those.

Senator CARR—You mention power generation, but libraries and other student facilities could equally be funded from one sector and used by another?

Mr Gallagher—I am sure there is some advantage in having common services.

Senator CARR—Yes, there are some advantages in co-location in that regard, but if we have a university which is struggling might it also be said that there are advantages in being able to tap the VET budget?

Mr Gallagher—That is very speculative.

Senator CARR—It might be speculative, but can you assure me that that is not the case?

Mr Mutton—There are approximations involved. As Mr Gallagher said, there is cost attribution. For instance, as I understand it, in some of the current multisector institutions there are administrative staff who work on both sides and for budget purposes their time would be divided between the two. We have not investigated whether 55-45 should have been 65-35.

Senator CARR—Mr Mutton, I think the answer is no, you cannot assure me.

Mr Mutton—No.

Senator CARR—I thank you. Is it possible to get a copy of the Deloitte Touche Tohmatsu report?

Mr Mutton—We have a summary of the document here.

Senator CARR—May I have a copy of that?

Mr Mutton—Yes.

Senator CARR—Is it possible to get a copy of the full report?

Mr Gallagher—That is the full report.

Senator CARR—I thought it was a summary.

Mr Mutton—This material, on which the article was based, covers the sector as a whole. The detailed report, as I recall, differs largely only to the extent that it goes to individual universities' circumstances.

Senator CARR—I repeat: is it possible to get a copy of the full report?

Mr Gallagher—We would need advice from the minister on that.

Senator CARR—Given what you have said, I would expect you to take that on notice.

Senator Ellison—Yes, we will take that on notice and get back to you.

Senator CARR—Thank you. The higher education funding report also refers to \$6 million being made available under the innovations program and that \$1 million has been allocated to bodies other than universities. Can you advise me what are these bodies? Can you provide me with details of the allocations?

Mr Gallagher—Yes, we will have to take that on notice.

Senator CARR—Thank you. Can you provide information on the allocation of subsidies at the marginal rate over the targeted places in 1998 as outlined in the triennial report? Could you give me details of the extent to which these subsidies overlap with fee paying undergraduate enrolments and so provide the government with subsidies for institutions' commercial activities in the area of domestic undergraduate fee paying places? Will you take that on notice?

Mr Gallagher—Yes, we will take that on notice.

Senator CARR—Minister, can you provide the committee with a copy of the legal advice received from the Attorney-General's office in late 1997 regarding voluntary student unionism that was referred to in the answer to Senate estimates question No. 986?

Senator Ellison—I will have to take that on notice.

Senator CARR—Thank you. What are the government's current plans in regard to the introduction of so-called voluntary student unionism at the national level?

Senator Ellison—Again, that is not an area of my responsibility. Dr Kemp is handling that and I will take that on notice.

Senator CARR—I will take up the other matters with regard to the overseas students with the International Division. That concludes my questions.

Mr Mutton—Senator, I wish to follow up on a question you asked the other night about state government contributions to university budgets. I recall that I confidently said that one per cent was tops. Now is my chance to recant from being so bold. It was 1.4 per cent.

Senator CARR—Which state governments did that?

Mr Mutton—That was the total across all states.

Senator CARR—Would you be able to provide me with the information that the Victorian government provides to the higher education sector and, in particular, to the training of teachers—the entry level training of the dip eds and bachelors of education and other teacher qualifications?

Mr Mutton—We have taken that on notice.

Senator CARR—I am not talking about professional development, which I think you will find is very little as well, but I want to distinguish this matter. Given that there have been recent reports concerning changes to teacher education in Victoria, I am wondering if I could establish precisely what the Victorian government's funding contribution is to that sector.

ACTING CHAIR—There being no questions on subprogram 2.2, Targeted research and scientific development, that concludes program 2, Higher education.

[9.46 a.m.]

Program 5—Student, youth and Aboriginal education support

Subprogram 5.1—Education assistance and income support

Senator CARR—I turn to the answer to question 594 concerning Austudy students in approved courses. At the last hearing I raised some concerns about the Bendigo student service centre. Can you report to the committee on what progress has been made since the last hearings in regard to the 72 students in special schools who were denied Austudy?

Senator Ellison—I think it is Centrelink.

Senator CARR—It might be Centrelink now, but it was the actions of the Bendigo student support service in incorrectly removing 72 people from benefits.

Ms Howell—Those 72 students have been reinstated for Austudy for their entitlement for last year so that they were in pay.

Senator CARR—They have all been paid?

Ms Howell—Yes.

Senator CARR—What about the six in Queensland?

Ms Howell—I do not have the information on that. I will take that on notice.

Senator CARR—While you say that the actions were largely confined to Victoria, what action has been taken to prevent this ever happening again?

Ms Howell—The process that we have looked at is in terms of clarifying what the approved courses are for state education authorities. We have spoken to the Victorian education authority about that.

Senator CARR—You have spoken to them.

Ms Howell—Yes. We will have a faster turnaround time in determining when there is some question about whether a particular course is approved.

Senator CARR—And you will be able to advise me or give me an assurance that this event will not occur again.

Ms Howell—I certainly hope it will not occur again, Senator Carr.

Senator CARR—That is reassuring, isn't it? Has there been any further correspondence with those 72 students, other than to say that they are back on benefits?

Ms Howell—Not with them in particular. They were satisfied with the fact that their Austudy was reinstated.

Senator CARR—And they have all been advised; you wrote to them.

Ms Howell—Yes, we did.

Senator CARR—In regard to Austudy, I noticed a recent report that you were seeking further changes to the actual means test. Is that the case?

Mr Walters—The only change which has been made was in response to some representations which were made on the operation of the actual means test in terms of certain groups at the start of the year. Some minor changes were made to the operation which affect a fairly small group of students. These are the circumstances in which a current actual means concession can be applied for.

The minister announced that a current actual means concession would be available in circumstances where a significant—these are not the precise words—loss of income would result from the student actually taking up study or that all members of the family had come out of the actual means test group. This makes it possible for people in those categories to ask to be assessed on their actual means for 1997-98 rather than their actual means for 1996-97.

Senator CARR—How many students are involved?

Mr Walters—We do not have a precise estimate, but we estimate that the numbers are likely to be very small.

Senator CARR—That is the point I am getting to. When you say ‘very small’ what do you mean?

Mr Walters—The number of cases that were drawn to our attention before the minister announced this concession was less than a couple of dozen, I would say.

Senator CARR—Minister, how were these cases drawn to your attention?

Senator Ellison—There was a situation in Western Australia where an anomaly was brought to my attention dealing with a person who was living in a relationship with someone, and there was an article about it in the paper.

Senator CARR—I am drawing upon a newspaper report here that has advised me that these changes were being made. What other announcements were made? How was this announcement conveyed to future applicants?

Senator Ellison—There was a press release which I issued and there was publicity concerning it. It was difficult to write to people—you had to find them—to know where the problems were.

Mr Walters—I think Centrelink were keeping a log of the people who had raised this with them.

Ms Howell—For those people who had contacted our student service centres with some concerns about how that policy applied, we kept a register of those. We actually rang them and wrote to them once the change was announced.

Senator CARR—How many people were on that log?

Ms Howell—It was changing—initially when it came out we had just a few cases that were in Western Australia. I do not have a list with me.

Senator CARR—Could you take that on notice please?

Ms Howell—Yes.

Senator CARR—I read in the reports that these changes are likely to last for no more than two years.

Mr Walters—In fact, this only relates to the operation of the Austudy scheme, which finishes, if the legislation is passed by the parliament, on 30 June this year.

Senator Ellison—Senator Carr, if I can just correct the record, I said that I had issued a press release. I was mistaken on that. I had spoken to the press on the issue but I am advised there was no formal press release, as such, issued. I just want to correct the record on that.

Senator CARR—Thank you for clarifying that, Minister. If I had not picked up the Media Monitors report, supplied by the department, I would not have known about this. That may not mean very much to anyone other than the fact that, as a person who has an interest in the

industry, it surprised me that it had been given so little attention. I could only see one report and that was in the *West Australian* of 13 February. So I take it that when you say you spoke to journalists, that particular journalist from the *West Australian* might well have had an exclusive. This is a change that will affect the entire scheme, right across the country.

Senator Ellison—I think, as Mr Walters said, it does not affect that many people. When it was given that coverage, we did not get the response that one might expect where someone sees an article in the papers and says, ‘Oh look, I am in that same boat’, and the next thing they are phoning up the department. We just did not have that response. Other journalists did not really take up the issue because I do not think they had come across any instances. These sorts of things tend to get a life of their own if they affect a wide group of people. It was apparent to us there was not a great many people involved.

Senator CARR—It just strikes me that if there is a report only in the *West Australian*, which is not a paper widely read in the country—I know it is a very good newspaper but in Melbourne or Sydney I do not see that it sells a lot of copies—wouldn’t it be appropriate that these changes be drawn to the attention of a broader audience?

Mr Walters—I think we have done that through Centrelink and indeed through the application form which has gone out and which makes it clear to people that they can apply under these categories.

Senator CARR—When did that form go out?

Ms Howell—On 16 February.

Senator CARR—You have noticed no significant change since that time?

Ms Howell—There are some students who are applying for an actual means concession using that form, yes, but it is not a significant proportion of our Austudy population.

Senator CARR—With regard to the changes to self-education expenses under Austudy, is the department aware of a recent tax amendment ruling—I understand it was a ruling—which will mean that most students receiving Austudy will not be able to claim self-education expenses? This is a matter that I have raised in the chamber with regard to the self-education expenses declarations—the automatic denial threshold. Are you familiar with this issue?

Mr Walters—You are referring to a draft ATO ruling which has not yet been confirmed. It was put out for consultation and I think the consultation period finished a few days ago. We are aware of that ruling, which was in fact in two parts. One part which is beneficial to students abolishes a threshold of I think \$250 which used to apply to the deduction of self-education expenses for quite a large group of students. The other half of the ruling affected those on Austudy and the ruling suggests that those on Austudy should not be entitled to deduct self-education expenses because—I have not got the precise wording—the expenses are not directly related to employment, and Austudy is not seen in that light. But it is a draft ruling, and the ATO are doubtless considering the results of the consultations which took place, and the representations which have been made to them.

Senator CARR—What contributions did the department make to the consultations?

Mr Walters—We have had discussions with the ATO and we have made representations to them.

Senator CARR—In a formal way?

Mr Walters—In a formal way.

Senator CARR—Do we have copies of those representations?

Senator ELLISON—Can we take that on notice?

Senator CARR—Yes. Is it the department's assessment that in some cases changes would mean a reduction of \$1,000 for students whose annual income is only \$7,000? Will the department be reviewing the impact of these changes on the income of Austudy recipients?

Mr Walters—We do not have any precise estimates, but it is worth bearing in mind that this ruling would only apply to students paying tax in the first case, and quite a lot of people on Austudy would not be paying tax. That would assume that people are claiming fairly hefty self-education expenses. So, just at first glance, I would suggest that that sounds like a rather extreme example to me.

Senator CARR—It is put to me that the general application form for Austudy in 1998 contains a series of questions which are designed to establish whether the applicant falls into one of the actual means test categories. If any of the relevant questions is answered 'yes', then the applicant is directed to the AMT section of the form. Given that these questions relate to the 1996-97 financial year circumstances, they seem to be making no provision for people whose circumstances have changed such that they no longer are in any of the categories to which the AMT refers, even though they were in the previous financial year. Has this apparent anomaly been drawn to your attention?

Mr Walters—That refers to the matter we were discussing a little while ago. There are provisions for people to ask to be assessed on 1997-98 actual means rather than 1996-97 actual means if their circumstances have changed significantly. The change which the minister announced recently widened the categories under which people could apply for what is called a current actual means concession.

Senator CARR—I thought that was referring to change in their family circumstances. Are you saying that it actually does go to broader questions?

Mr Walters—The family circumstances for the actual means test family for this purpose is defined as, in the case of an independent student, just that student or that student's spouse, for example. In the case of a dependent student, it is the family. So it depends on the circumstances of the application.

Senator CARR—What is the current waiting period for reviews?

Mr Walters—My colleague from Centrelink can answer that.

Ms Howell—Do you mean for reviews for Austudy entitlement?

Senator CARR—Yes.

Ms Howell—The turnaround time we are expected to meet for that is within 28 days. Our percentage for achieving that nationally is 87.4 per cent of cases finalised within that time.

Senator CARR—That is the national figure. What are the regional figures?

Ms Howell—For each student service centre?

Senator CARR—Yes. Can you provide those? I will take them on notice.

Ms Howell—Yes. I will take that on notice and provide them.

Senator CARR—How does the number of applicants seeking reviews in 1998 compare with those in 1997? Do you have any indication at this point, or is it too early to tell?

Ms Howell—We could do a comparison with the same period for last year. However, with Austudy, the applicants can claim up to 31 March and still have entitlement. I am wondering which period you might like it for.

Senator CARR—Can I take it from this point, and will you take on notice a comparison as at 31 March?

Ms Howell—Yes.

Senator COLSTON—I did not quite understand what happened when Senator Carr asked a question in relation to the tax deductibility for Austudy. I think he asked what was the nature of the representations. Did you say that you would take that on notice?

Senator Ellison—Yes, I did.

Senator COLSTON—Thank you.

Senator CARR—Is this the relevant section to ask questions on the youth allowance review that is under way?

Mr Walters—Do you mean the youth allowance review or the Abstudy review?

Senator CARR—The Abstudy review in so far as it affects the youth allowance. Is it appropriate for you take questions at this point?

Mr Walters—Yes.

Senator CARR—What progress is being made on the Abstudy review? I understand that there has been an extension of the time line from that otherwise advertised in the terms of reference. Why was the time line extended?

Mr Walters—The time line was extended because the minister decided that we should have national consultations, particularly with the Aboriginal communities and the education sectors which serve them. We wanted to engage an Aboriginal consultant to help us with those consultations. In fact, it took a little while longer than we had hoped to identify an Aboriginal consultant. The first people that we approached were not available to do the job, so that was extended. We decided it was better to get that expert advice and delay the review a little than to go ahead without.

Senator CARR—That seems reasonable. Was there any announcement of this extension of the time line? The booklet that I received outlining the terms of reference simply had a small piece of paper attached to the corner, indicating that there had been an extension of time. There was no explanation that I am aware of. Perhaps you could advise me if I am correct: were there explanations provided?

Mr Walters—We put around a press notice which invited people to put in written consultations and, although the original review was due to finish in December, we gave until February for the consultations. As we have been conducting the consultations and people have asked for a little longer, we have said that that was fine.

Senator CARR—So there has been a further extension on top of the February extension?

Mr Walters—No. That was purely a deadline for the written submissions to come in. I have said that if people could not quite meet 6 February, we would give them a few days longer. We are hoping to finish the review in April.

Senator CARR—It seems a bit slap-dash. You have agreed to extend the time, and that is very big of you. Has there been an announcement to that effect?

Mr Walters—No. We have simply tried to respond flexibly as we have conducted the consultations. If people have asked for a little more time, we have said that that would be fine.

Senator Ellison—Senator Carr, during the break, people were away. I myself went up to the Northern Territory and visited Batchelor College. The problem there was that the people

were away on holidays; people had gone back to their communities. So there was that aspect to it as well.

Senator CARR—I am not complaining about the extension. What I am concerned about is the extent to which the education community at large has been advised of this extension and whether opportunities have been extended to all of those who do wish to contribute to this review. This is a very significant matter. I am concerned that if it is done on this ad hoc basis there will be a denial of people's opportunities to contribute.

Mr Walters—We have kept pretty close to the communities that are interested in this as we have gone around and we have given them all the same story, which is that the formal deadline was 6 February but a few days later than that would be acceptable.

Senator CARR—That has been conveyed to people verbally, has it?

Mr Walters—Yes, whenever they have asked.

Senator CARR—Is this the normal method of communication with this department? If you communicate with people verbally, I would presume it depends who is in earshot as to who will get that message.

Senator Ellison—We have had a deadline and some people have said that they have a problem for some reason and we have said that a couple of days does not matter. That is basically what Mr Walters is saying. It is not a formal extension of the deadline and we have not told anybody. It is just that, where it has been raised with us that it is a problem, we have allowed them some leeway.

Senator CARR—Do you intend to maintain the reporting time lines?

Mr Walters—We expect to be able to report in April.

Senator CARR—So you will report to the minister by April? Is that the intention?

Mr Walters—That is right.

Senator CARR—How many submissions had been received by 6 February?

Mr Walters—One hundred and ten. We have been told that there are still one or two people who want to put submissions in.

Senator CARR—Are you able to provide us with a list of those who have contributed submissions?

Mr Walters—I think when we have answered questions like this in the past we have suggested that where it comes to private individuals putting in submissions there is a privacy issue because we do not know whether they want their names disclosed. That does not apply to organisations. I think we could supply a list of them.

Senator CARR—At what point in the review, in terms of reference, did you indicate that the submissions would be confidential?

Mr Walters—We did not indicate that they would not be.

Senator CARR—Surely there is no requirement to maintain confidentiality unless the participants have requested it?

Senator Ellison—Senator Carr, my inclination is to give you that list, but can I take that on notice.

Senator CARR—If anyone has requested that their submission not be made public, that is a different case and that ought to be examined on a case by case basis. If there are confidentiality issues presumably you will advise me of them.

Senator Ellison—You are asking for the list of submissions?

Senator CARR—At this point. My follow-up question is: where are the submissions?

Senator Ellison—Can we take that on notice with a view to looking at the privacy issue.

Senator CARR—There is the general policy question that submissions have been put to me concerning the appropriateness of combining Abstudy with the general youth allowance, given that Abstudy is designed to meet a broader constituency and people much older than young people. How appropriate is it that these two allowances actually be combined? Is there a threshold policy question that needs to be addressed?

Senator Ellison—That is one of the things we are looking at in the review.

Senator CARR—So you have reached no policy decision in that regard?

Senator Ellison—No.

Senator CARR—And that is clearly being addressed in the review?

Senator Ellison—Yes.

Senator CARR—How many students have been affected by the changes announced to Abstudy? Do we have an indication of how many students were affected by the changes introduced in the 1997 budget? You have provided me with advice in answer to question No. 122 so I will not ask you to repeat that, but can I have those figures updated?

Mr Walters—We do not have full year figures for Abstudy for 1997 yet. What we normally do is assess the impact of budget measures in the context of the next year's budget. For Abstudy and Austudy we would be attempting to do that so far as it is possible because sometimes budget measures are not possible to precisely measure. We will be doing that in the context of the forthcoming budget. We do not have any figures available at the moment.

Senator CARR—Can you take on notice that the figures will be available at some point. I am interested in an update of the 1997 figures of the numbers of students affected by those budget decisions. You have made the estimates in June so presumably by December figures will be compiled as to the actual number of students affected.

Mr Walters—There is a timing issue on this. The measures came into effect this January. The year we are talking about is the current year and it will not be possible to assess the impact until next year's budget.

Senator CARR—I take that point. The monitoring of enrolments by indigenous people: are you able to advise the committee on the number of applicants for undergraduate and postgraduate studies this year? Do you have that capacity?

Mr Walters—That is not within our prime responsibility, but may we take that on notice.

Senator CARR—Yes. Whose responsibility is it?

Mr Walters—It would depend on the sector. You are talking about undergraduate numbers.

Senator CARR—Given the department's support for indigenous education you must have a view across the sector?

Mr Walters—We can certainly provide the figures, but we will have to take that on notice.

Senator CARR—Is that an evaluation?

Mr Grant—Not really. One measure that gets to the question you are asking would be the number of students eligible for Abstudy. Somewhat later in the year we will be able to give that sort of information and comparative information for the previous years.

Senator CARR—Would you take that on notice at that point? Is there another aspect to it?

Mr Grant—There is another aspect, as Mr Walters has suggested—namely, each sector would have some information about the enrolment of Aboriginal and Torres Strait Islander students. When the relevant sectoral statistics become available they would be another measure of the same matter.

Senator CARR—The youth training initiative: is that to hand in this particular division?

Mr Walters—This is not an issue which arises under program 5.1, but it has a relevance to program 5.2.

Senator CARR—These are questions that relate to the youth training initiative, job placements and the Green Corps.

Senator Ellison—Does that mean we have finished with 5.1?

Senator CARR—Yes. I have three areas of questions to go in this section.

Senator Ellison—We will move on to 5.2?

Senator CARR—Yes. I hope that is the case. I will soon establish if it is not.

[10.16 a.m.]

Subprogram 5.2—Youth policy and support

Senator CARR—I am advised that the youth training initiative will be absorbed into the new service delivery arrangements when the new employment services market commences operation. Is that the case?

Ms Davies—The youth training initiative had three elements: part of it was income support through the youth training allowance; part of it was landmark program assistance; and the other element was access to early assistance at 13 weeks rather than 26 weeks. Those three elements will be absorbed partly in the employment services market, partly in the youth allowance and partly through Centrelink services.

Senator CARR—So it is broader than I have just stated.

Ms Davies—Yes.

Senator CARR—What strategies will there be to ensure that particularly disadvantaged groups—especially those in the 15 to 17 cohort of unemployed persons, formerly covered by the youth training initiative—get adequate attention and assistance to increase their future employment prospects?

Ms Davies—That is monitored through our service level agreement with Centrelink. In the case of those 15- to 17-year-olds of whom you have spoken, they are advantaged relative to older long-term unemployed, in the sense that they have access; but they also are encouraged to get an outcome if they return to education or training, as well as an employment outcome.

Senator CARR—Yes, I understand. That is the whole point of forcing them off benefits, is it not?

Ms Davies—I think you are asking me a question about the effect of the youth allowance.

Senator CARR—Yes, that is effectively what is happening—that, as of the beginning of next year, this group will come under the new youth allowance arrangements and they will lose benefits, unless they are in a training institution or an educational institution. Is that the case?

Mr Walters—I do not think that is the case. The youth allowance operation is obviously very complex, but I do not see why that should be a general effect. Certainly, the consequences of the new arrangements under Centrelink, under the employment services market and under the youth allowance for disadvantaged groups will be monitored.

Senator CARR—So you will be able to tell me the numbers of people who are still not returning to school?

Mr Walters—Certainly all these issues will be carefully monitored. The youth allowance does not come in until 1 July.

Senator CARR—I understand that. It is a projection. So you will be able to advise me, presumably, on your projection of the number of young people who will not be returning to school in that age group who are currently unemployed.

Mr Walters—I am not sure that a projection of that sort exists. The DSS is the department responsible for the policy on the youth allowance. But perhaps we could take that question on notice and pass it to them and see what we can find out for you.

Senator CARR—Thank you, and I ask it specifically. You presumably will be able to advise me of the methods you are using to monitor those.

Mr Walters—Again, the youth allowance will be a DSS program, so the evaluation methods are something under consideration by them.

Senator CARR—Are you able to at least advise what the department's view is as to the number of persons expected to fit into this category?

Mr Walters—Again, I think I would rather take that on notice because I would like to look at the precise way in which the question is framed and discuss it with some colleagues on the school side, if I may. It is a complex area.

Senator CARR—Can you advise me on what the department believes will be the strategies to assist this group to prevent their falling through the net?

Ms Davies—Are you asking what is the menu of options that will be available to the under-18s?

Senator CARR—Yes.

Ms Davies—Among them are the full service schools, and I think that was \$22.6 million.

Senator CARR—Yes. We have those figures from the previous estimates. But you are not aware of any particular strategy, other than those that have been announced by the Prime Minister on 28 January, to meet this group of people.

Ms Davies—That is the enhanced mutual obligations group?

Senator CARR—Yes.

Ms Davies—That is in addition to the existing arrangements.

Senator CARR—Can I turn then to the job placement employment and training arrangements. The Prime Minister's announcement on 28 January and the associated ministerial press release indicated that the department believed there were some 2,200 extra places in the JPET program to be provided. Have I understood that correctly?

Mr Walters—That is correct.

Senator CARR—Will these places go to existing providers of the program?

Mr Walters—We are currently operating a tender round for JPET which will include a further tranche of the existing program together with these extra 2,200 places. Existing providers whose grants will terminate before this is due to come in will be entitled to reapply. We expect a mix of some of the existing providers and some new ones.

Senator CARR—Do you have any indication of the locations of these providers?

Mr Walters—We are currently halfway through the tender round, so not at this stage.

Senator CARR—When is it due to be concluded?

Mr Walters—The tenders have to be returned to us by 17 March.

Senator CARR—Are you able to advise me on the location of the existing places in the JPET program?

Mr Walters—That is not a difficulty. There are 90. We can provide those.

Senator CARR—If you would not mind. Could you provide them to me on the basis of electorates?

Mr Walters—Yes.

Senator CARR—Can you do that for the previous two years?

Mr Walters—The program has been operational only since about August.

Senator CARR—So it is only the last year. I am advised by an article in the *Age* that there will be an additional \$22 million provided to the Green Corps.

Mr Walters—There has been no recent announcement of any additional funding for the Green Corps.

Senator CARR—There are no additional moneys?

Mr Walters—The existing provision expires at the end of the next financial year.

Senator CARR—So the report that said it would be expanded just this week was in fact inaccurate?

Mr Walters—I think this is what is called media speculation.

Senator CARR—You can confirm that there has been no new money allocated for the Green Corps since the budget?

Mr Walters—That is correct.

Senator CARR—It is also reported to us that the parliamentary secretary for employment, Mr Abbott, has been working very hard to get an extension of the Green Corps program and has been very critical of the work for the dole program in the process. Is that an accurate report?

Mr Walters—It is certainly accurate that the parliamentary secretary works very hard. I do not care to comment on the rest of your question.

Senator CARR—Minister, is that an accurate report? That was a very good answer, I must say.

Senator Ellison—I do not think I can better that answer.

Senator CARR—You are not aware of the parliamentary secretary's advocacy of expansion of the Green Corps? He is the parliamentary secretary to you, isn't he?

Senator Ellison—No, to Dr Kemp.

Senator CARR—He has not actually approached you about it?

Senator Ellison—No, he has not. I am not aware of any criticism by the parliamentary secretary in relation to the work for the dole, but I am aware of his keen support for the Green Corps.

Senator CARR—I am interested in the fact sheet on mutual obligation issued by Dr Kemp on 28 January which was in support of the Prime Minister's speech of that day and which lists participation in the Green Corps as one of the activities which young people can undertake to satisfy the new mutual obligation requirements for the receipt of unemployment allowances. Have I categorised that accurately?

Mr Walters—Yes.

Senator CARR—The fact sheet also states that the Green Corps participants will not have to satisfy mutual obligation requirements while receiving a training allowance. Is that also accurate?

Mr Walters—Yes.

Senator CARR—What does that mean?

Mr Walters—It means that while participants are on the Green Corps they will be deemed to have satisfied their mutual obligation requirements.

Senator CARR—But it says the Green Corps participants will not have to satisfy mutual obligation requirements while receiving a training allowance.

Mr Walters—That means that they will not have to satisfy any other mutual obligation requirements.

Senator CARR—You can understand my confusion here. It does appear to be a contradiction. Would that be a reasonable conclusion to draw in relation to the words 'not have to satisfy'? It just seems a bit contradictory.

Senator Ellison—I think it is pretty clear, isn't it?

Senator CARR—Oh, it is clear!

Senator Ellison—I must be missing something, but it is clear to me what it means.

Senator CARR—It says, 'Greens Corps participants will not have to satisfy mutual obligation requirements while receiving a training allowance.'

Ms Davies—While you are on Green Corps, you are receiving a training allowance; you are not in receipt of an unemployment benefit.

Senator CARR—But wasn't it put to me before that it would be deemed to have satisfied the mutual obligation requirements?

Ms Davies—Perhaps I can put it another way. If you are a mutual obligation eligible client who chooses to take a Green Corps place, while you are on that Green Corps place for 26 weeks you are not in that group.

Senator CARR—I am sure that clarifies the matter. Was the consultancy in terms of the Abstudy review open to public tender?

Mr Walters—It was in fact offered on a limited tender basis on the basis that we identified a range of people that we thought might be able to do it. This is a method which is frequently used where we think that the number of people who would be suitably qualified and available is fairly limited.

Senator CARR—How many people were approached?

Mr Walters—I think in the first instance it was around about half a dozen.

Senator CARR—It was self-selecting; you chose the half a dozen?

Mr Walters—It was about the same number in the second round. In fact we found that the people who are specialised in this kind of thing have very limited availability, because there was quite a time commitment involved in terms of travelling around the country and conducting the consultations.

Senator CARR—I can see the difficulties, but why wasn't it publicly advertised?

Mr Walters—We simply decided on this occasion that it was such a specialised role that was required that it was justified to go for the more limited process. It is also a faster way of doing things.

Senator CARR—I have no doubt that it is faster. You pick the person before you issue the contract—that is much faster.

Senator Ellison—No, that was not done. It is a difficult area. It is not like a situation where you have a review which is so broad that when you advertise, everybody across the country puts up their hands and puts in a tender. As Mr Walters mentioned, for one person availability was a problem. We had more difficulty trying to get someone to do it because of the time and the specialised nature of the review.

Senator CARR—We are returning to this general issue. I just wanted to know how these arrangements remain in this particular case. Thank you very much.

[10.33 a.m.]

Program 6—Portfolio administration and advising

Subprogram 6.1—Portfolio management, advising and analysis

Senator LUNDY—I will direct my questions towards the recently released request for information on the IT outsourcing contract that has been proposed. My first question goes to the business case that would have been established prior to that RFI being released. I want to get some information about the basis of the justification of that business case.

Mr Gibbons—The department is complying with a policy decision of government that all budget funded agencies test the market for the provision of IT services. As part of that exercise, we are working with the Office of Asset Sales and Information Technology Outsourcing. We put together a tender which we released last weekend. The tender involves the testing of the provision of infrastructure, that is, the hardware and the communications elements of the DEETYA IT business requirement.

The process is being managed jointly by the Office of Asset Sales and Information Technology Outsourcing and us, and we are responsible for the definition of the business requirement, the development of the benchmark costs and the evaluation of the responses against those two elements. The process itself—the industry development elements and the testing of financial viability of responders et cetera—is being handled by the Office of Asset Sales and Information Technology Outsourcing.

Senator LUNDY—Could you repeat that last bit please?

Mr Gibbons—It is a joint process managed by the Office of Asset Sales and Information Technology Outsourcing and us. That other office is responsible for the industry development criteria and the evaluation of responses against those criteria. We are responsible for developing the statement of our business requirement and the costs and the evaluation of the responses against those two elements.

Senator LUNDY—Has your preparation of a business case occurred at this point or will that occur following the receipt of information from the private sector in responding to the RFI?

Mr Gibbons—As I said, the government took a decision that we were to test the market. We put together a statement of requirement that tells industry what we want to buy. In the context of the tender we released on the weekend, we have invited industry to respond to that statement of requirement. Whether there is a business case for outsourcing or not will depend on the response from industry when we evaluate it against our benchmark costs.

Senator LUNDY—So the business case has not yet been established, and that will be established upon receipt of that information from the market.

Mr Gibbons—A major element of the process is the cost of outsourcing. That cannot be established until we have seen and evaluated the responses from tenderers.

Senator LUNDY—In the portfolio budget statement under this particular reference of budget measures under subprogram 6.1, it states that, whilst agencies are not required to consolidate or outsource IT infrastructure in the absence of a sound business case, they are expected to do a number of things. Amongst those listed is to ‘apply a competitive tendering process’. Is it the case that, in the situation facing DEETYA, if a business case cannot be established upon the receipt of the information following the RFI process, the option exists for the department not to proceed with the outsourcing contract?

Mr Gibbons—The decisions that await evaluation of the tender will be taken by ministers. In the case of our portfolio, it is the Minister for Finance and Administration, the Minister for Employment, Education, Training and Youth Affairs, and the Minister for Industry, Science and Tourism. I cannot foresee a situation where they would want to proceed with outsourcing where there is no business case established, and that case cannot be established until we have responses from industry.

Senator LUNDY—What is your process for the preparation and consideration of the business case following the RFI process? Who makes those decisions? What is the timing of that process? Will the business case be made public?

Mr Gibbons—As I have explained, we have published, in the context of the tender we released last weekend, a full statement of the requirement that DEETYA and the Employment National company have for information technology infrastructure. The Office of Asset Sales and Information Technology Outsourcing has put together a paper on industry development requirements. That is in the market and interested companies are invited to respond. The tender closes on 14 April and, until we see the responses, we cannot take it further.

The published documents that are available in the public domain now make it very clear what we need. They make it very clear that we are in the process of disaggregating the CES into two components: DEETYA and Employment National. They give a very comprehensive description of business needs over the projected life of the contract. Until the responses are in, we cannot take it any further.

Senator LUNDY—In terms of timing, I think you are missing the point of my question. I understand that the business case cannot be prepared until you receive that information, but what is the actual arrangement for the assessment of the merits of that business case?

Mr Gibbons—The published timetable has tenders closing on 14 April and a period of six to eight weeks for the evaluation of those responses before decisions are taken.

Senator LUNDY—Is that the closing of the tender? When is the RFI process completed?

Mr Gibbons—There is no RFI process. We have gone to tender. Tenders will close on 14 April. We will consider the responses we receive in the six to eight weeks following that. The first test is to see whether or not the responses meet the business requirement.

Senator LUNDY—Can I just go back a step? I have misunderstood. The request for tender obviously requires a considered response by the private sector.

Mr Gibbons—Yes.

Senator LUNDY—At some expense, obviously, given the complexity of the tender documents. As yet, the business case has not been established and, theoretically under the process, it may not be established, and yet you are proceeding with an RFT as opposed to an RFI. Could you explain that?

Mr Gibbons—As I have explained, the government requires that we test the market—that is a policy decision and we must comply with that decision.

Senator LUNDY—Can releasing an RFT be defined as a formal market testing process?

Mr Gibbons—Yes. We have defined what our requirement is. We have put it to the market to see whether the market is capable of meeting that requirement in a cost-effective way. The process is already under way. The tender was released on the weekend. When it closes and we have responses—and we expect responses—we will examine those responses. If they meet our business requirements, and if the cost of meeting those business requirements represents a better deal than performing the infrastructure provision in house, then it is almost certain that we will outsource.

Senator LUNDY—With the establishment of that business case, in your view is there any likelihood of the process not proceeding?

Mr Gibbons—I think there is a low likelihood that industry is not going to be able to offer us a response that we would find attractive, but I cannot be certain until we have the response from industry. We know a good deal about the cost structure of this industry, and our expectation is that we will make some improvements on the existing cost of providing the infrastructure in house, but until we see the commitment that industry is prepared to make in response to our statement of requirement, I cannot be certain. That is part of establishing the business case—looking at what industry says when it sees in black and white what we want, how it can deliver it and at what cost.

Senator LUNDY—Can you describe the scoping of the tender documentation with respect to existing contracts for elements of the IT infrastructure within DEETYA?

Mr Gibbons—Currently DEETYA runs an IT platform that services the department proper and another platform that services the CES. At the high level those two platforms are integrated. With the changes that will occur from 1 May to the employment services market, the CES will be closed down and replaced by 300-odd employment providers, including a government owned company, Employment National, that will be taking over part of the infrastructure and services of the CES.

We are using the tender process to get a response from industry on the disaggregation of those two elements, certainly the business disaggregation of those two elements. That is quite an important consideration for us. If we were left to provide the services in house, not only would we have to handle disaggregation of the business elements but we would also have to handle the technical disaggregation.

Senator LUNDY—If you left it in house?

Mr Gibbons—If we had to do it in house.

Senator LUNDY—Isn't that still an option?

Mr Gibbons—It depends on the responses we receive from industry but I suggest that industry will be in a better position to deal with that than we will because both Employment National and DEETYA are going to the market jointly. A successful tenderer would not necessarily have to disaggregate the technical infrastructure to provide services to meet the business requirements of the two separate organisations. If it were provided by DEETYA in house we would have to separate technically and release Employment National on their own for reasons of competitive neutrality in the context of the employment services market.

Senator LUNDY—Are you saying that it is structurally impossible to retain all of those services in house because of the separation of EN and DEETYA?

Mr Gibbons—The link between DEETYA and Employment National needs to be cut.

Senator LUNDY—I understand the imperative in that.

Mr Gibbons—It can be cut at the business level without disturbing the technical infrastructure if someone else is responsible for the technical infrastructure. If we were to retain responsibility for DEETYA technical infrastructure then we would have to disaggregate that technically from Employment National, who would have to be responsible for the management of their own technical infrastructure. There are advantages in the peculiar circumstances of the DEETYA portfolio where we are disaggregating in this market testing arrangement.

The environment involves a wide area network, a very large mainframe involving two centres, a huge amount of data storage and a reasonably sized communications network involving hundreds of sites across Australia.

Senator LUNDY—Returning to the point about disaggregation, how will the issue of the scoping of the tender documents and the subsequent business case be factored or quantified into your consideration of outsourcing, and is it conceivable that the two elements could be split contractually under the current nature of the tender documents?

Mr Gibbons—They will be.

Senator LUNDY—If you find a business case justifying the outsourcing of the EN technical services, could that proceed with perhaps the DEETYA technical services not under your current tender documentation?

Mr Gibbons—Although Employment National is in the market with us, when we get to the point of contract, if we proceed to outsource, Employment National will negotiate and sign its own contract with the successful tenderer, independently of DEETYA. Because we expect one company to be providing services to both organisations, they will inherit the infrastructure. They can provide disaggregated business services to both organisations without having to break up the infrastructure technically.

Senator LUNDY—You have just told me that the reason to do that is the potential conflict.

Mr Gibbons—There has to be a business separation. At the business level there has to be disaggregation. There does not necessarily have to be technical disaggregation if it is outsourced. If it remains in house it has to be split up. There is no choice in that matter.

Senator LUNDY—You are saying that you are putting out to tender essentially a cluster contract but there will arise two distinct contracts.

Mr Gibbons—There will be two distinct contracts.

Senator LUNDY—I do not quite understand the link and the advantage if the same successful tenderer holds both the EN and the DEETYA contract. They are distinct contracts; they are going to have to be distinguished at a business level. You are saying that, by having the same contractor, somehow the technical requirements do not need to be disaggregated.

Mr Gibbons—At the moment, the technical infrastructure is one whole and it services both DEETYA and the CES. The CES element is either being closed or handed over to Employment National in those sites where they have won business in the employment services market. There is no technical reason to separate that infrastructure into two physically distinct parts in order to provide services to Employment National and DEETYA if it is owned by one company.

Senator LUNDY—So why separate contracts?

Mr Gibbons—Because Employment National will be a company independent of DEETYA and will have a requirement different to DEETYA. They will have their own contractual terms. In all the cluster arrangements that are contemplated, there will be separate contracts. I understand that in what is called cluster 3, which involves several departments, when they get to the point of decision—that is, when they have chosen the vendor—the agencies involved in that cluster will negotiate independent contracts with that provider.

Senator LUNDY—But they are all agencies, they are not companies like EN.

Mr Gibbons—In the case of EN there is an even stronger need for an independent contract.

Senator LUNDY—Indeed. So what happens if EN, in all of its independent status, decides to take a different direction with its IT infrastructure than the department?

Mr Gibbons—Ultimately that is their decision. They are an independent company established under Corporations Law, under the direction of a board.

Senator LUNDY—But bound by virtue of the contractual arrangements to an IT vendor that is linked technically to the main department.

Mr Gibbons—No. I think we are getting confused here, Senator. The infrastructure is being put into the market, and it clearly states in the description of the business requirement that DEETYA require a set of services and that Employment National require a set of services and they are independent of each other. If Employment National decide at the end of this process that they do not wish to proceed to buy their services from the vendor that is chosen, they are free, because of their independence, to go and make some other arrangement. Until they do so, they will have to pay DEETYA at cost for the maintenance of service. We will not agree to provide that indefinitely.

Senator LUNDY—Does what you said then apply to a situation where they sign the contract, or do not sign the contract?

Mr Gibbons—Before we get to contract signing, we will go through a process of consideration of the tender responses. We will choose a vendor. DEETYA will sign a contract with a vendor after negotiating the terms of that contract. Employment National may decide, at the point that we choose a vendor, that it does not wish to proceed to buy service from that vendor. It will then have to decide how it is going to get its IT service, because it will not get it from DEETYA.

Senator LUNDY—What if the tender has been submitted on the basis of the efficiencies of the quantities across both areas? What if that is a basis upon which it is awarded?

Mr Gibbons—We have made it clear in the tender that, in the case of this tender, because it involves a budget funded agency, DEETYA, and a company independent of DEETYA and outside the budget process, that company has the option of not proceeding. Tenderers who submit a response to our tender do so in the knowledge that that may be an outcome.

Senator LUNDY—So it is a Clayton's cluster in the sense that the options exist; it is not bound. Any efficiencies through volume are not locked in beforehand—they become an option on the contract.

Mr Gibbons—DEETYA is large enough in its own right to leverage significant discounts in the market.

Senator LUNDY—I am sure they have scales of efficiency to be achieved. My point is the distinction between the two entities and the relationship that bears on the way that the vendors actually submit their prices.

Mr Gibbons—Vendors may structure their prices. They may say to us, 'If Employment National are in, this is the set of prices; if they are not, this is the set.' Employment National, in deciding whether to stay in or go it alone, would have to take account of those circumstances.

Senator LUNDY—Indeed. Who currently has IT contracts with what will be EN?

Mr Gibbons—I think they are engaging a New Zealand company and IBM to do some development application work, which is outside the scope of this tender. Beyond that, I do not know.

Senator LUNDY—Can anyone advise me of the nature of existing contracts with the entity that will be EN?

Mr Gibbons—That will have to be asked of the representative of Employment National, who will be here at next Friday's session, Senator.

Senator LUNDY—Is that still part of the department at the moment?

Mr Gibbons—No, Employment National is a company independent of the department.

Senator LUNDY—Can you advise me on the contracts that were held by the CES prior to EN becoming an independent company?

Mr Gibbons—The department has a contract with IBM GSA to provide services that involved IT infrastructure in the CES.

Senator LUNDY—Did that contract transfer across to EN?

Mr Gibbons—No.

Senator LUNDY—So it is now not in existence.

Mr Gibbons—It is still in existence, because the CES is still in operation. Until we make a decision on the outcome of this tender, we will be using that contract to facilitate the relocation of touch screen kiosks out of the CES into Centrelink et cetera.

Senator LUNDY—So the contract that provides for those touch screens with IBM GSA is currently in place with DEETYA, but the touch screen service will be a service provided by EN.

Mr Gibbons—No, the touch screen service is a service that remains with DEETYA. It may be that individual employment agencies lease from DEETYA a touch screen, but the service will remain provided by DEETYA.

Senator LUNDY—Is it likely that EN will lease that service?

Mr Gibbons—It is possible; they have not yet confirmed their requirement.

Senator LUNDY—In terms of the physical location of the IBM touch screens, are they currently in CES offices?

Mr Gibbons—There are about 950 in Centrelink offices and another 1,400 in the CES, and before 1 May we will be relocating most of those out of the CES into Centrelink and a few other locations.

Senator LUNDY—What are the penalty clauses in that contract?

Mr Burston—The penalty clauses are in the current contract with GSA, which is also subject to the market test that the deputy secretary was talking about.

Senator LUNDY—In what respect?

Mr Burston—All of DEETYA's existing contracts go into the melting pot as part of the market test. They have to be rebid for by whomever answers the tender.

Senator LUNDY—So all of those contracts are conveniently due to expire around the same time?

Mr Burston—I wish they were.

Senator LUNDY—That goes to my question about the penalty clauses.

Mr Burston—There are issues there. In respect of our arrangement with GSA, the IBM services arm, the contract for touch screens does, in fact, expire about June this year. We are open to two-yearly extensions, and that is all catered for in the current contract. Clearly, given the time pressures of the market testing arrangement, we do not think we will have an outcome from that process by June, so we may have to extend the current contract on a month-by-month basis.

Most of the other contracts—and there are about 150 to 200 in all—vary, as you can imagine, in terms of the termination arrangements and we are systematically going through those at the moment with the aid of Attorney-General's to see what is involved. But most of them are software contracts under arrangements with the former Department of Administrative Services, and they can be got out of with about 30 days notice, so we do not anticipate major problems there.

Senator LUNDY—You say you are getting advice from Attorney-General's; I presume their advice will go to the nature of any penalty clauses or any exposure to litigation that may emerge.

Mr Burston—Yes, indeed.

Senator LUNDY—Will that sort of information form part of the business case?

Mr Burston—The costs attendant to any penalties that we would have to pay would become part of the cost of outsourcing. In that area, for example, if there were to be—as there are likely to be—staff redundancies or if we had to reorganise to create new positions to deal with an outsourcing vendor, those costs would also become part of the cost of outsourcing.

Senator LUNDY—Yes, I will go to those issues in a minute.

Mr Burston—As against our urgent baselines which, if you like, is the costs of running business as usual.

Senator LUNDY—I will go to the other issues of other costs associated with outsourcing and how you establish those equations. Is it the department's intention to apply what has become known as a 'phased approach' for IT staff or a clean break?

Mr Burston—The department has decided to apply the clean break approach.

Senator LUNDY—Have you costed that?

Mr Burston—We have not finalised the costing of that but we are doing it in conjunction with all of the costing that needs to be resolved before the tenders are back on 14 April.

Senator LUNDY—Will that be publicly available?

Mr Burston—We have not, as a general principle, been publicising to vendors or to the public at large our in-house costs, and there are obviously dangers in doing that.

Senator LUNDY—I would not want you to compromise the department's position, but I will ask if it is your intention to make the business case public once you have prepared it.

Mr Burston—The business case per se, which revolves a lot around in-house costs, will not in the normal course be made public but, clearly, we have a process with many levels of supervision and probity checks and so on. We are required to run the process in separate stages which are signed off and segmented, rather as was done very successfully in the employment services market tender, so that our internal costs and all of those things are segregated out from whatever comes back from industry.

Senator LUNDY—Where is the opportunity to demonstrate the public accountability, or justifiability, of the outsourcing process?

Mr Burston—Basically, as I say, we have a process which is probity checked in terms of the various stages. Ultimately, what will happen is that the representatives of DEETYA and EN who are predominantly concerned with what we call the technical aspects and the costing aspects will produce reports and the representatives of the Office of Asset Sales and Information Technology Outsourcing and those of some other portfolios will come together and produce a report on the industry development aspects. These will then be developed into a recommendation to ministers, as normally happens in tender processes of this kind.

Mr Gibbons—The whole process is, of course, not beyond the purview of the Auditor-General.

Senator LUNDY—Indeed. What I am getting to is that the ultimate decision on whether or not outsourcing is justifiable is, from what you are saying to me, not open to the scrutiny of the parliament. Is that your understanding?

Mr Gibbons—No, I am not saying that. As I have said, the whole process is open to the scrutiny of the Auditor-General and his reports are, of course, tabled in the parliament. It is open to committees like this, when the process is past the evaluation-decision phase, to ask questions and, where appropriate, answers will be provided.

Senator LUNDY—Perhaps I can give you advance warning that questions relating to that business case are of great public interest, given their impact on not just jobs but the effectiveness of a critical Public Service area. Just going now to jobs, have you done your sums in terms of how many jobs will be lost?

Mr Gibbons—Yes. We currently believe that about 180 positions are in scope. That needs to be offset by the creation of some positions to manage the contract. The net result is that about 150 to 155 losses are expected.

Senator LUNDY—How many do you have at the moment?

Mr Burston—The overall IT operation is about 380. As the Deputy Secretary said, about 180 positions are in scope. We think the net effect in position terms is around 150. I would emphasise, given the scale of the department's operations, that not all of those positions are

occupied at any one time. We believe the net effect of people affected would be under 150. Exactly where under that is hard to determine at this time.

Mr Gibbons—There is also another factor at play here, and that is the implication or the flow-on effect of the employment services market changes. The DEETYA IT infrastructure management team was built up to support a network of 16,500 people in over 300 locations around the country. As a consequence of changes that flow from the employment services market, DEETYA will be a portfolio of about 2,500 to 2,600 people in about 45 locations around the country, supporting through various means a pool of providers across the country. So that in itself would have an effect in reducing the numbers that we would require. The reduction is not just driven by this market test of IT outsourcing.

Senator LUNDY—You are actually making structural changes. Have you quantified the saving relating specifically to wages?

Mr Burston—No, we have not. Part of the reason for that is that the costing exercise in establishing these things is complex. There is also some ambiguity in parts of my division in that five or six of the sections are not cleanly in scope or out of scope but are partially in scope.

Senator LUNDY—Are they counted in the figures you just gave me?

Mr Burston—They are counted in the aggregate. The issue comes down to which of the individuals falls on either side of that line. That in turn has implications for some of the calculations. We will have all that resolved by the end of March but we do not have it resolved yet.

Senator LUNDY—Can you take on notice when that is resolved to provide the details of positions lost—the quantification of the actual salary packages that that involves—and the overarching redundancy cost as well for the clean break for those positions?

Mr Burston—Yes. It will be some time before we will be in a position to answer that.

Senator LUNDY—Will that information be available for the business case assessment?

Mr Burston—Yes, it is an integral part of the costing. It is one of the many components of the costing.

Senator LUNDY—You spoke about the contract covering the telecommunications infrastructure as well as the hardware at the three levels—desk top, mid-range and mainframe. If the contract potentially traverses across both EN and DEETYA, how will the security and the conflict of interest be addressed if it is still utilising a common mainframe?

Mr Burston—We have commenced design work with a goal of having it completed by 1 May. To separate out Employment National at the outlet level for things such as electronic mail and all of their own internal systems, which are no business of DEETYA given the new employment services market, at the same time we are implementing controls over access to the mainframe which has to be used not only by Employment National but by all the other employment services providers. We will have in place a regime where Employment National is one of the 310, or whatever the figure is, employment services providers. The privacy and other controls on them will be the same as apply to anyone else.

Senator LUNDY—So the contract scope with respect to employment services extends far beyond the services that just EN will provide?

Mr Burston—There are two contracts. It gets a little confusing and sometimes our terminology is loose. The tender outcomes that were announced yesterday were for providers

in the new employment services market. If you come back to IT, DEETYA is providing the linchpin of the information flows for all of those providers. Those providers are, on the one hand, EN, which is the public provider, and about 300 other companies. In total there will be about 1,400 sites across Australia which require connectivity to DEETYA.

If we come to the tender that we are discussing today, that essentially has three aspects. The first is the information technology provision for DEETYA, which the Deputy Secretary has taken you through, and the parallel information technology provision for Employment National because of its current historical ties to DEETYA in the form of the CES. In addition, we are leaving open for any other employment services provider in the context of the employment services market that, if they so elect, they also can have an arrangement for their internal IT provisioning with the winner of this tender should the result be to outsource.

Senator LUNDY—So they can piggyback in on the contract?

Mr Burston—They are not piggybacking in the sense in which that term seems to have been used in other contexts. We have an arrangement up-front where they can so join if they wish.

Senator LUNDY—That will be the nature of those potential piggybacks—sorry, I am stuck with that word—like what you have described as the EN contract?

Mr Burston—It would be in the sense that it would be likely to be smaller in that the players themselves are. The other provision that we have, because we are conscious of the competitive neutrality provisions in the employment services market, is that any provision independently made between a winning outsourcer and an ESP would be on a basis that is at least no worse than the costs provided to EN. So we would not want to be, even at whatever distance, party to some unfair regime where EN benefits from volume in some way and their competitors do not.

Senator LUNDY—Going back to those elements of that contract and the actual hardware involved, my understanding is that DEETYA has two mainframe units. If EN opts not to come in with the DEETYA contract, is the scope of what EN requires required to have access to a mainframe system?

Mr Burston—No, EN only requires access to the mainframe on the same basis as all of the other employment services providers that we discussed. If they were to decide for whatever reason not to be part of this, they would only have access on that basis. Another way of putting it is that there is no EN specific processing for EN as a separate entity sitting on the mainframe.

Senator LUNDY—In terms of the options facing the ESPs, including EN, as to whether or not to opt in or out of that contract, is that opting in or out linked to the EN contract or is it linked to the main DEETYA contract?

Mr Burston—It would be a separate contractual arrangement settled between a winning outsourcer and the ESP concerned. There are a few issues. It is not DEETYA's role to mediate that. It is DEETYA's role to make sure that they are not disadvantaged. One imagines it would be a much simpler contract because, in most cases, given the outcome yesterday, these organisations are much smaller. But the key element from DEETYA's perspective in maintaining the integrity of the employment services market is that, if a price is struck for a PC for Employment National, we ensure that anyone who does choose to avail themselves of that is not disadvantaged.

Senator LUNDY—Where does that leave the other ESPs if they choose not to opt in in terms of competitive tendering?

Mr Burston—We now go back to tender 1—that is, the employment services market tender, the outcome of which was announced yesterday. In that we laid out very clearly to all tenderers what is the IT connectivity between those organisations and DEETYA. We have explained that, given the move of technology, in the longer term when it is proved viable we believe that all of those organisations—including Employment National if it so chooses—will interface with us via the Internet.

As so often happens in IT, the Internet is clearly the destination but we are not there yet. What we have said to them in the meantime is that we have come up with a method of connectivity which enables them to buy equipment against a recipe which was specified in the employment services market tender and then to use a technology called dial-up to link to the nearest DEETYA state hubbing point. They can do that. Indeed, we have road tested that very successfully in the current arrangements of the contracted case managers, where we have about 700 sites across Australia where people dial into DEETYA.

For these people, at the end of the day it is going to come down to cost. We have an arrangement with Telstra at the moment to contain the costs, and particularly to use the volume of these accesses to make sure that people in rural Australia are not disadvantaged. All of that is in place. Given the outcome of the employment services market tender, because it had been road tested in a previous arrangement, we believe that people will be able to make their own commercial decisions. They can get as closely or as distantly connected to the DEETYA environment as they choose, provided they interact with DEETYA in the agreed way in order to make the employment services market work.

Senator LUNDY—What is the current technology that you stipulated in your tender documents?

Mr Burston—The base technology is, first of all, access to a standard mainframe system called the integrated employment system.

Senator LUNDY—Who runs that?

Mr Burston—My colleague Mr Correll has ultimate responsibility for the integrated employment system.

Mr Correll—The integrated employment system is an overall application that is maintained by the information technology department. It is specifically designed to support the flow of information between the department's service providers and Centrelink under the new market arrangements.

Senator LUNDY—Who manages the applications development?

Mr Correll—It is managed by the department.

Senator LUNDY—In-house?

Mr Correll—It is an in-house development.

Mr Burston—An application development is not part of this whole process.

Senator LUNDY—I know, but my next question is: what is the relationship with applications development? You have specified the connectivity arrangements and stated that they could be outsourced. Did the outsourcing tender documents relate specifically back to requirements by integrated employment system, or is there some mechanism within the tender documents that can start to impact upon the applications utilised on the mainframe?

Mr Burston—There are two answers to that. Firstly, we retain strategic control of the technology. We made that very clear in the tender. This is not an approach where we say to

somebody, 'We currently operate this IT infrastructure; if you would like to do something different, away you go.' It is not like that at all. We retain strong strategic control of the technology. Secondly, whereas they are free under the tender arrangement to come back with alternative solutions or approaches, they are required to be able to run our application portfolio, of which the integrated employment system is the biggest. But there are about 200 applications on the various platforms, and they cannot arbitrarily move away from supporting any of those without our prior agreement.

Senator LUNDY—To go back to the mainframe issue, in the press release of the Minister for Finance relating to the announcement of this bid they specify 1,000 MIPs mainframe capacity and then say that will be reducing to 650 MIPs. In terms of that power computing capability, is that reduction a specification contained in the tender documents? How does that relate back to what you are talking about, being the strategic applications control? I suspect—and I might be wrong—that computing power relates to the actual nature of the software that is running on the given machine.

Mr Burston—You are correct, it does. There are, essentially, three reasons why we are planning for, and estimate, an overall drop in mainframe consumption. The first is, as the Deputy Secretary explained, there was a department of 16,000 and a CES of whatever proportion two years ago, and the overall portfolio has shrunk, despite the addition of these new employment services providers announced yesterday. So we believe that the overall quantum of work being done is less. There are two other factors, really, which go into it. The first is the nature of the integrated employment system in dealing with the employment services providers under the new framework. It is, if you like, less intimate than was the case under the CES and the contracted case managers. Part of the business thrust of the new employment services arrangement is to get away from the internals of how organisations work and to have a more arm's length relationship. But the third factor is in fact technology change. At the moment we have, as I said, about 200 applications and, in round terms, 50 or 60 on the mainframe. We are looking, over the next year, to retire two or three of the very big ones. One will go, ultimately, as a result of the move of Austudy from DEETYA to common youth allowance in Centrelink, although not straight away. But the other one is that some of our backbone corporate systems for financial and personnel management, which are currently run on mainframes, will be replaced by another application which will not be run on mainframe. So there is the business and technical churn going on and that is where we have come up with that estimate.

Senator LUNDY—How do you scope those quite significant changes in volume, and I presume hardware bandwidth et cetera, into an infrastructure contract?

Mr Burston—In the statement of work we specify very clearly all our applications and the platforms that are on them, but we also had in there a segment called predicted future. For each of the 200 of them we explained what we thought was going to happen to them, and when—because it is very important for a potential outsourcer to understand that. Secondly, we drew all of that together in the costing schedules by simply giving the aggregates and asking them to quote against the aggregate platform. In one sense, providing they are supporting all the applications, they do not really mind too much if the mix changes, as long as they know the base-load they have got to meet. So we handled it at the micro-level in the applications, and the macro-level in the overall workplace segment.

Senator LUNDY—That was for the ESP's contract. What about the same question with respect to the IT outsourcing RFT that has just been released?

Mr Burston—I am sorry, it was for both. We explained clearly to the ESPs what was required of them, and the information that I just gave you was explained very clearly in the market-testing tender.

Senator LUNDY—So theoretically, then, the scope for variation of the services provided under the IT outsourcing is quite fluid?

Mr Burston—Yes it is, and indeed it must be, given the business environment of DEETYA. But more influential in this case is the change of the technology. We are looking at a five-year contract and things can change substantially. We have to have that flexibility.

Senator LUNDY—What arrangements are in the request for tender for the relationship between the suppliers of the hardware and infrastructure and applications development?

Mr Burston—We have spelt out in great detail those arrangements, because the applications development people are really concerned, I think, at the point behind your question. They want the flexibility to utilise new technology to meet business requirements, and not to be in a situation where someone says, ‘Well, this is the baseline we all agreed on; it is too hard to change.’ Again, the tender is very explicit in that area.

Senator LUNDY—Yes. They almost need the ability to be able to dictate the hardware capability to allow them to innovate. If in fact we do what seems to be almost a certainty and proceed to outsourcing, what are the transition arrangements with respect to that? Perhaps we should just deal with DEETYA, as opposed to the piggyback contract.

Mr Burston—The transition arrangements are traditionally negotiated and highly customised, in the terms of the organisation’s position at the time and the identity of the winning vendor, because that stuff is complicated and it is very heavily influenced by the situation at the time.

Senator LUNDY—How do you ensure competitive neutrality if there is an existing presence with one of the vendors already working for the department?

Mr Burston—We do this by ensuring that all dealings with the out-sourcing approach are coordinated through the Office of Asset Sales, and by conforming with a 12-page protocol list that we all had to sign up to. This includes officers of the department who are dealing with these companies on a day to day basis on continuing business. It includes, among other things, the signing off of minutes and goes through all of that process very carefully. It is a rigorous process.

Senator LUNDY—Has the department ever received an unsolicited approach from any of the IT vendors?

Mr Burston—No, not to my knowledge. If you are talking in terms of this specific tender at the moment, then the answer is certainly not.

Senator LUNDY—Have you received any correspondence from IT vendors seeking information or expressing a view with respect to the request for tender documentation?

Mr Burston—Not to my knowledge, but there is a standing protocol in the department that if anyone rings up, or if any piece of documentation of that nature lands in the division, then they are to explain very clearly to those people that all correspondence is to go through the Office of Asset Sales. I am not aware of any such piece of paper but it may well have happened.

Senator LUNDY—Who is DEETYA obtaining legal advice from, with respect to the tender documentation.

Mr Burston—We are doing that at two levels. In terms of our own internal arrangements, as I said we are dealing with A-G's who are focusing in particular on our current contracts; but, as well, we got a detailed commentary from A-G's as to what an outsourcing contract should contain. The outsourcing contracts themselves are generated by the Office of Asset Sales and IT Outsourcing, although with the full opportunity for agency comment, and they have their own legal advisers sitting behind that process.

Senator LUNDY—Is the only legal advice you have sought in relation to this matter through A-G's?

Mr Burston—The legal advice we have sought is through A-G's. Our experience in the past has been that they have been very good. In terms of what I have so far, I certainly do not feel the need to go elsewhere.

Senator LUNDY—Going back to the transition process for the implementation of the contract, what is the time frame for the complete introduction of the new vendor?

Mr Burston—The experience with other agencies—and that is all I have to go on at the moment—seems to have been around three months. As you will imagine, you will have a final due diligence check on where all the equipment is, exactly what it has on it and all those sorts of things. Predominantly important to us are the employment arrangements we need to ensure are properly handled. Then we have the contractual and other matters, which are, essentially, of a one-off nature between where we are now and where a contracted provider would be when the company takes over. So we anticipate the transition will be a pretty arduous and very highly detailed process. We would be amazingly lucky if a few things did not come out at us from left field that we did not have to work through.

Senator LUNDY—What are the arrangements in the RFT for asset transfer for computer equipment?

Mr Burston—There are options in the RFT in the pricing basis for that. From memory, the two most obvious ones are, firstly, simply a capital payout of whatever agreed basis and, secondly, to defray the first-year costs of the services received by the tendered value that the contractor provides on the equipment. We would say that there is one opportunity there, which I certainly hope they take up, to use that approach to make attractive offers for the existing IT infrastructure. That will be a competitive point in the whole process.

Senator LUNDY—I noticed in the portfolio budget statements that the figure of over \$12 million is cited as computer equipment under capital works and services, with an additional estimate of nearly \$4½ million. Can you give me some background as to what that capital expenditure related to?

Mr Burston—That capital expenditure last year related to the equipping of the CES with its new desktop environment. The \$4 million related to the fact that a bill arrived late in June and we needed additional estimates to cover it. But that was a timing issue; it was not related to a cost blow-out or anything like that.

Senator LUNDY—At the time that upgrade actually took place, the government had already announced its IT outsourcing program. Can you describe—

Mr Burston—No; it was actually before that. Although the timing of the funding here would justify the inference you have drawn, what essentially happened was that it was early last year—I do not remember the precise date—that we decided to go ahead with the second phase of the project that started with the installation of the touch screens. The second phase involved provisioning of the CES, as it then was, with the equipment. It was only in the budget last

year that the decision on IT outsourcing had come to a head although, coincidentally, it was in that budget that the funding was provided for that other decision. This funding had, I think, been deferred from the previous year.

Senator LUNDY—Yes. Can you tell me the date upon which that expenditure was approved?

Mr Burston—I will have to take that on notice.

Mr Gibbons—There are two important points that need to be made here, Senator. One is that, following the announcement in the budget of 1996 of an intention to outsource the provision of employment services, the CES was downsized immediately by fairly close to 3,000 staff—that is a round figure. There was also the beginning of an increased rate of attrition from the CES. We needed very quickly to get productivity benefits that had been designed in the integrated employment system and other changes in place, so we proceeded with the installation of a new platform in the CES in the knowledge that any equipment that is not taken over by Employment National, in those sites where it won business, would be redeployed in DEETYA or Centrelink. So none of the equipment that we used to upgrade the platform in the CES is surplus to our requirements. We have delayed a normal replacement cycle of equipment in DEETYA on the assumption that we will have equipment left over from the CES to replace that equipment. We have similarly held off on replacing equipment in the student assistance centres around the country on the assumption that we will have surplus equipment.

Senator LUNDY—The well-circulated cabinet submission on IT outsourcing made reference specifically to the views of your department. Are you able to refresh the committee's memory of the broad thrust of DEETYA's comments on the IT outsourcing program?

CHAIR—Senator Lundy, you did promise that you would be about an hour, and you are now over that. Do you have much more?

Senator LUNDY—I will not be much longer; I have just a few more.

Mr Gibbons—I cannot acknowledge a cabinet submission or any comments that were made in that submission.

Senator LUNDY—It is all right; we know what they were. Who supplied the computer equipment?

Mr Gibbons—Which equipment are we talking about?

Senator LUNDY—The \$12 million and then \$4 million.

Mr Gibbons—I think it is largely sourced to two companies. Mr Burston may have the details on hand.

Mr Burston—As I said, the installation project, or the overall coordination of it, was done by IGSA as the second half of a contract they had won, the first part of which was the touch screens. As I recall, the equipment itself was largely sourced out of Compaq, the IBM PC company at the time and Dell.

Senator LUNDY—So IBM had a significant proportion of that \$16 million worth of equipment supplied?

Mr Burston—They did, on the basis that they had won that as a result of a competition which, I can assure you, was incredibly arduous.

Senator LUNDY—With respect to the arrangements for the transfer of assets in any outsourcing model, what sort of competitive neutrality provisions are applied, given that there is obviously some advantage to a particular supplier if they were indeed to get the contract?

Mr Burston—I do not think the competitive neutrality provisions really relate to transition but to the bidding process itself. Although you are right in saying that IBM has had some recent large contracts, there are some other companies which also have some very large business arrangements with DEETYA. My very general understanding of the outsourcing vendor business would indicate to me that they would not necessarily be in the same consortiums that IBM would be in. There are other players there with other interests as well, as would be the case in any large agency which has multisoftware and multihardware platforms.

Senator LUNDY—In the minister's reported comments in relation to the release of the RFT the issue of penalty clauses is cited. In an article in the *Canberra Times* it states:

At a minimum, prospective tenderers will be asked to propose specific dollar amounts that are to be payable to the Commonwealth in the event that their commitments [or agreed substitutes] are not met within the time frames specified in tenderer's proposal.

It is like a penalty clause. It also talks about sanctions for non-performance. Are they specified in the RFT or is that also a point of negotiation?

Mr Burston—There are two issues there. It is unclear whether you are quoting in the context of the industry development aspects of the approach or whether you are talking about—

Senator LUNDY—Yes, I am.

Mr Burston—That matter is best taken up with the Office of Asset Sales. As I explained earlier, that is not an area where we are primarily responsible for evaluation. I can tell you that in terms of the day-to-day performance the tender is replete with explicitly spelt out penalties for lack of performance.

Senator LUNDY—If there is found to be a lack of performance and the penalty is the ultimate one—that is, the cancellation of the contract—have you specified transition arrangements in the RFT for that scenario?

Mr Burston—We have not specified the transition arrangements in that level of detail because of the difficulty in being precise at this time. However, I believe—but I would have to check—that the draft contract which has been provided has the appropriate framework.

Senator LUNDY—I suppose the experience that has been had elsewhere is that, whilst the contracts for IT outsourcing are quite prolific in their sanctions clauses, the actual transition arrangements to exit out of a contract are so complex and costly that they act as the ultimate disincentive to proceed with the cancellation of a contract.

Mr Burston—The tender that has been developed and issued for this portfolio has drawn on some perceived weaknesses in other experiences in that area. We believe we have toughened that up.

Senator LUNDY—What is the estimated value of the contract and what is the duration of the contract?

Mr Gibbons—I do not want to give any details about the value at this time.

Senator LUNDY—There has been media speculation about the value of it.

Mr Gibbons—I know that and I do not wish to comment on that. That would prejudice the Commonwealth's position at this time. The timetable has tenders closing on 14 April with an evaluation and decision process ending around June and complete transition effected by November.

Senator LUNDY—And the duration of the contract?

Mr Burston—It is five years with two optional extensions of two years.

Senator LUNDY—Beyond what has been described with respect to the ESP specifically, is there any scope for piggybacking on the main DEETYA contract?

Mr Burston—Not that I am aware of.

Senator LUNDY—Just going now to the savings required on IT efficiencies that were listed in last year's budget, can you apprise the committee of what the specific figures were that were identified for DEETYA under the overarching IT efficiencies program?

Mr Watson—From memory—and I do not have the exact figures with me—they were in the order of \$600,000 in 1998-99 and \$11 million in 1999 and 2000 and beyond.

Mr Burston—Those figures were posited on a department at the time which was much larger than DEETYA is now.

Senator LUNDY—Do you believe those savings will be achievable?

Mr Burston—I believe the savings overall will only be able to be determined when we have compared our baselines with what comes back. I have no other comment on the savings as originally estimated except that, given the scale of change in the portfolio generally, the base on which they were originally calculated has since moved on.

Senator LUNDY—Is the achievement of those budgeted savings a prerequisite to proceeding with outsourcing?

Mr Burston—We believe that the essence of the business case is, as I said, a comparison between our current costs and what a tenderer would come back with. They are not necessarily directly related to the previous estimate of overall savings to the portfolio because things have moved on which have no relation to IT as such.

Senator LUNDY—Perhaps I could direct that question to the minister; that is, whether or not it is the government's intention to make savings a prerequisite of any advancing of the outsourcing program, given that it forms the basis of the political decision in the first place.

Senator Ellison—I think the reduction in the department's size has been touched on by the officers before—that is, the change in the department when tenders were sought and when the contract was let out—and it has been quite a substantial reduction. Savings, therefore, are effected by the resultant downsizing of the department. But savings are certainly a key consideration in the government's agenda in this regard.

Senator LUNDY—So, as I have said, do they form part—

Senator Ellison—It is a consideration, definitely.

Senator LUNDY—It is a consideration, but it is not essential; it is not going to be a prerequisite?

Senator Ellison—It would be one of the key considerations. Obviously, savings are uppermost in the government's mind.

Senator LUNDY—What about industry development? What about the weighting of industry development provisions, given that that is outside the decision making capacity of this department?

Senator Ellison—That is really for the committee next week which will be considering this.

Senator LUNDY—No, not the EN issue. The officer stated that the industry development aspects of the contract would be considered by the Office of Asset Sales and IT—that is, the Department of Finance.

Mr Gibbons—As I explained at the outset, this is a joint project with the Office of Asset Sales and Information Technology Outsourcing looking after the industry development process.

Senator LUNDY—So you do get a say in how that is assessed?

Mr Gibbons—The decision will be taken jointly by the three ministers I have mentioned—the portfolio minister for DEETYA, the Minister for Finance and the industry minister; that is where it all comes together. But it does not proceed to consideration of the industry development criteria, unless there is a compliant submission in respect of the business case and the costings.

Senator LUNDY—So, effectively, by that structure there can be no trade-off with respect to savings and industry development factors, from what you have just described?

Mr Gibbons—I do not quite know how to interpret that question.

Senator LUNDY—I am interpreting your answer.

Mr Gibbons—The first step in the process of evaluation is to satisfy ourselves that there is a proposition from industry that meets our business requirements and at an acceptable cost. If there is more than one compliant submission, then the industry development consideration cuts in.

Senator LUNDY—So you then compare. So, is it a two-envelope process? Are you appraised of the industry development initiatives

Mr Gibbons—It is not a two-envelope process, as I understand it.

Mr Burston—The process is within one tender, but it is not the formal old two-envelope process.

Senator LUNDY—I am trying to ascertain the decision making process and the relationship between assessing the business case and the industry development factors, given the quite broad political weighting that certainly the Minister for Finance has chosen to give that aspect of this contract. What you are saying to me is that consideration of those issues occurs after the assessment of a particular tender, and it is a subsequent selection process if it is close in the first instance. Please tell me if I am wrong.

Mr Burston—They occur in parallel, but separately, rather as the traditional way we have always done evaluations where we have a finance team looking at the costings totally separate from the technical. Similarly, here we would envisage that there would be at least three and maybe one or two smaller ones looking at sub-aspects all going in parallel, and then the result is put on the table for a recommendation to be prepared.

Senator LUNDY—So back to the minister, given that we now understand the process: do you perceive that there could be a trade-off between savings and industry development considerations? Is that within the scope of consideration by this government of this contract?

Senator Ellison—Senator Lundy, that involves consideration by other ministers, and I will take that on notice.

Senator LUNDY—Thank you.

Senator CARR—The answer to question No. 559 from the last round of estimates provided us with a paper on statistical overview of the long-term unemployed. It was published on pages 4 through to 20, or thereabouts, in volume 2 of the March collection of answers. On page 13 included in that answer is a map which is entitled ‘The incidence of long-term unemployment is generally higher in regional Australia’. Then there is a map that seeks to illustrate that. Unfortunately, in the reproduction process, the clarity of that map has been lost. So its value, of course, is naturally significantly reduced—that is, we cannot read it. Is it possible to get a clear copy of the map?

Senator Ellison—Yes.

Senator CARR—Thank you. I note that Minister Kemp recently—just after Christmas—made some comments on the employment growth in 1998. Did those comments include any assessment of the growth in the tourism industry—which, as I understand, has now been revised down as the result of the changes that have arisen from the Asian economic crisis?

Dr Volker—We would have to take that question on notice. I am not sure.

Senator CARR—Would you please indicate what impact the department believes the Asian economic crisis will have not just on the tourism industry—I have asked that question specifically; can you provide that information?—but also on other sectors of the economy in terms of projections of employment growth?

Dr Volker—We are happy to provide that answer, but we would be reliant on Treasury estimates.

Senator CARR—I presume that you will have some assessment, nonetheless, sector by sector of the impact. Clearly it will be most pronounced in some sectors—namely, tourism.

Dr Volker—We can certainly go to those issues.

Dr Jarvie—I understand that Treasury answered a number of questions relating to this in their discussion. I think their comments might be worth while taking into account.

Senator CARR—Yes, but I have asked you as the relevant department to these issues, I understand, to provide advice to me on those questions.

Dr Jarvie—We are happy to.

Senator CARR—I will come back to the question of the impact on education specifically. I asked some questions earlier today, so I will come back to those. In Dr Kemp’s comments, was there any indication of the effect of the dismissal of 1,700 bank staff which was announced two days ago?

Dr Volker—Sorry, I am not sure—

Senator CARR—I understand the banks have recently announced significant lay-offs.

Dr Volker—The ANZ Bank indicated a job loss of 1,500.

Senator CARR—Has the department factored those announcements into its projections?

Dr Volker—Obviously it would not have had because those announcements were made only recently.

Dr Jarvie—We do not actually do projections of the unemployment rate or employment growth in Australia. We rely on Treasury to do those projections. We normally rely on Treasury advice and we work within the parameters that they provide us.

Senator CARR—Can you tell me whether there has been any consideration of the government's decision to close the CES?

Dr Volker—No.

Senator CARR—Do you provide advice to the minister on employment projections?

Dr Jarvie—We rely on Treasury's projections. They publish them in the budget forecasts and in the mid-year review.

Senator CARR—That is the basis of advice—

Dr Jarvie—That is the basis for any advice we give to the minister. That is all I can really say.

Senator CARR—You would be able to advise me that you advised the minister recently—that is, before he made those statements—on employment projections?

Dr Jarvie—We regularly advise him on the state of the labour market. We provide him with briefing prior to his consideration of the ABS labour force survey figures that come out monthly. We give him an update on how the various indicators are moving, such as the DEETYA leading indicator and the like. He takes them into account when he makes comments on the labour force figures. That is the main vehicle.

Senator CARR—You would obviously be satisfied that his comments reflect the advice that you have provided him?

Dr Jarvie—I cannot recall exactly what comments you are referring to. But we certainly do advise him prior to those.

Senator CARR—On another issue, Minister, I have been asked to raise here questions relating to monies owed to a company in Queensland which is said to be involved with the sum of \$75,000. The company is known as the Gold Coast and Logan marketing project. Is anyone here able to assist us in that particular area?

Senator Ellison—What is the nature of the question?

Senator CARR—I am told that an auditor has been appointed to investigate claims made by the principal of this company that the department has not paid its bills. Is there an officer here that can assist me with that matter, or is this a matter you would prefer to wait—

Senator Ellison—I think we will have to take it on notice.

Mr Grant—If it is the particular case I recall having read about in recent days, I believe that the department's position is that there is no foundation to those claims. However, as the minister has said, we will take it on notice and come back to you with more details.

Senator CARR—Could you please advise me on what steps the department has taken to respond to the auditor's report? The auditor, I understand, is Mr Mark Deem. In that process, I presume you will be able to provide me with advice on what the auditor found with regard to the claims that the department had a liability for with the Gold Coast and Logan marketing project?

Mr Grant—We will take that on notice.

Senator CARR—I think that is probably as far as I can take it. I have correspondence here if you wish to view that. I do not particularly want to put that into the public arena, because of the privacy considerations.

Senator Ellison—Perhaps the officers can have a look at that after the meeting.

Senator CARR—Could a photocopy of that be taken and be provided to the minister?

CHAIR—Yes.

Senator CARR—I have taken this matter up on behalf of Senator Crowley, so the letter is addressed to Senator Crowley. But I believe the details are consistent with the correspondence that I am providing you with.

The next issue I want to canvass is the matters related to statements in the answers given to question No. 413 under 'Portfolio administration and advising'. Question No. 413 refers to the issue of Mr Oldfield. The claim being made in the answer is:

Mr Abbott advised that like all other MP's he depends on the trustworthiness of his staff and relies on their honesty and integrity. . .

You will recall, Minister, that this issue relates to the employment of Mr Oldfield in Mr Abbott's office. The advice that has been tendered to us is that Mr Oldfield was effectively working for the member for Oxley while employed by the Commonwealth as an adviser in Mr Abbott's office. The claim was made that there was not due attention to his duties in that regard. It was stated in the answer:

Mr Abbott advised that like all other MP's he depends on the trustworthiness of his staff and relies on their honest and integrity because close supervision is impossible even inside the office—let alone outside the office in the staff member's own time. In this instance, a trusted member of Mr Abbott's staff, acted in a deceitful and disloyal manner, resulting in possible misuse of Commonwealth funds.

Do you have that answer, Minister?

Senator Ellison—Yes.

Senator CARR—Could you please advise the committee on the results of the investigations that the department has now conducted? What progress has been made on those matters? Could you please indicate the aggregate misuse of Commonwealth funds that has been identified by the department?

Mr Gibbons—As I recall this matter, that part of it that is the responsibility of the department goes to the use of Commonwealth mobile phones. Mr Oldfield had a phone on condition that he may use that for private purposes subject to identifying, when the accounts came in, those calls that were of a private nature and reimbursing the department. I am informed that he has reimbursed the department fully for calls made for private purposes. I understand that any other matters—I will have this checked—are a matter for another department. I assume it is now the Department of Finance and Administration.

Senator CARR—Do you have an indication of the total amounts of money involved with that other department?

Mr Gibbons—I do not, Senator.

Senator CARR—DEETYA has not been advised by Finance of any other moneys owing to the Commonwealth?

Mr Gibbons—Not to my knowledge. I believe that for another agency to advise us on that matter would probably breach the privacy laws.

Senator CARR—So as far as you are aware, there has been no advice to DEETYA about the misuse of its facilities?

Mr Gibbons—About the misuse of DEETYA facilities?

Senator CARR—Yes.

Mr Gibbons—That is my understanding.

Senator CARR—Will you take that on notice?

Mr Gibbons—We will check that for you.

Senator CARR—The amount of money that is listed in answer to question 412—I draw your attention to the summary line on page 167—is \$922.72. Is that the amount of money that has been repaid?

Mr Grant—Yes, I believe so.

Senator CARR—That is the full amount of money that has been repaid to the Commonwealth through DEETYA that you are aware of?

Mr Grant—That is so, Senator.

Senator CARR—I notice here that, while obviously you would not want to identify the particular call or the number that have been responded to with regard to this log of calls, there are a very large number of calls. Can you indicate to us how many numbers are involved in that? It was put that these were calls essentially to Ms Hanson. It has been put in the various documents and statements to this committee and in evidence before this committee. Can you indicate how many numbers are involved in the log that has been produced, which seems to go for some pages? Do I assume they are all to Ms Hanson or substantially to Ms Hanson?

Mr Grant—I am not aware of that.

Senator CARR—Can you take that on notice?

Mr Grant—Yes. I am not clear that it would be possible to answer that question, but we will take it on notice.

Senator CARR—I just want to know what sort of spread of numbers there is. I do not want to identify a particular number, but on 10 April there appear to have been eleven calls. Can I presume that they are substantially to the one number?

Mr Grant—Can I clarify the question? You are not asking how many calls are on this list, which of course you could count, but rather what the dispersion is in terms of the number.

Senator CARR—That is right.

Mr Grant—Okay.

Senator CARR—To how many Telstra or other numbers—

Mr Grant—Once again, it is not clear that that would be identifiable and, if it is, whether we would be able to supply it.

Senator CARR—Please take that question on notice and see what you can assist me with. I would appreciate that. Has the KPMG brokerage benchmarking report been finalised?

Mr Grant—If this is the consultancy that was let by Employment National Ltd, that question would be better addressed to the company when it has representatives here next Friday.

Senator CARR—It is a follow-up to question No. 388, which, as you say, relates to the CES. I presume it is still in existence?

Mr Grant—It is.

Senator CARR—They could perhaps take this on notice and advise me if the brokerage benchmarking report has been finalised and, if it has, provide us with a copy of it.

Mr Grant—I will take that on notice.

Senator CARR—The only other matter I want to canvass with you today is to follow up some questions in regard to the impact of the economic crisis in Asia on Australian education.

I use the broader concept because I think we need to establish what the impact is on the Australian education sector as a whole. Is there anyone here now who can answer that?

Mr Grant—Mr Walters can answer that.

Senator CARR—You could not answer questions on this before. I did not realise it was the same officer.

Mr Walters—It is a different program.

Senator CARR—But you could not answer questions.

Mr Grant—I think it was in program 2 that you asked your earlier question, and Mr Walters was not at the table.

Senator CARR—I see.

Mr Walters—You previously heard me answering questions on student and youth affairs. I am also here as head of the international part of the department.

As the figures stand at the moment, last year we saw something like a six per cent rise in the number of students, and a corresponding rise in the benefit to the economy. The projections which we have most recently produced suggest that it will be flat this year and there is unlikely to be any further rise. There might be a small rise next year. Hopefully, we will then get back onto a significant growth path.

I have to emphasise that these are projections. A projection is, as you know, a process of taking historical data and trying to forecast the future on the basis of past trends which are adjusted in line with known factors and the intelligence that one can gather. It works much better when the movements are small, when the trends are predictable and when nothing very significant has happened. In this particular instance, there have been very substantial changes in some of the economies which some of our client students come from.

At the moment, there is scope for a lot of different views on the way in which all of that is going to pan out and the impact on the client group. We do not pretend that we can do more than make our best estimates, just as everybody else has done. You will see from some of the media speculation that some people are forecasting doom and gloom while others think that the effect will not be particularly significant, certainly in the longer term.

Some people have made their projections from a small number of economies looking across the whole. As a matter of fact, in some places where students come from to this country the impact has not been very great. Also, 15 per cent of students come from outside the Asian region altogether, and this is a growing market for Australia which lies outside this sphere of concern altogether.

Finally, one has to distinguish between the effect of the economic crisis in some countries and the effect on individual people within that. We are looking at those who, in the past, have often invested substantial sums of money in sending their children overseas for their education. Such people are sometimes in the fortunate position of being able to isolate themselves and the affairs of their families from the impact of those economic woes.

Senator CARR—As I indicated earlier in the proceedings, an article in the *Sydney Morning Herald* of Monday, 23 February, claims that, in the mid-year intakes, we will start to notice a much more substantial drop in the enrolments. It claims that there will be as much as a 20 per cent drop between now and the beginning of the 1999 academic year. Could you comment on that?

Mr Walters—Different commentators have different views on what is going to happen. Our own forecasts are based on past trends and the intelligence and information that we have had from our contacts overseas. Certainly, we have not seen anything to suggest that there will be a fall of that magnitude. It is possible that there would be in certain markets—one or two countries which have been more particularly affected by the crisis than others—but we have seen nothing to suggest that there would be a fall of that size overall. That is not to say that it will not happen. Obviously, we are still learning about the nature of this crisis and the impact it is likely to have on all sectors of the economy, not just education.

Senator CARR—Dr Denis Blight is the executive director of IDP. I presume that you are familiar with his work.

Mr Walters—Indeed.

Senator CARR—He indicates that the short-term impact on enrolments is already being felt. Would you agree with that statement?

Mr Walters—I think we would agree with that.

Senator CARR—He goes on to say that the final figures are not expected for two or three weeks. Would you agree with that?

Mr Walters—It depends on what you mean by final figures. It is worth bearing in mind that different sectors operate differently. For example, you have full-scale undergraduate university courses for which people will be enrolling at this time of year, but there is also a substantial education sector in what is known as ELICOS—English language intensive courses. These tend to be arranged much more on a short-term basis, so we would see a pattern through the year. It is very hard to forecast, although there has been some impact so far on what the final outturn will be for the year.

It is also the case that not everybody enrolls for undergraduate courses right at the start of the year. So although we are seeing some impact it will take some time to assess and I would not like to say that we would be in a perfect position to do that within a couple of weeks. It may take rather longer.

Senator CARR—I see. His claim that there may be as much as 20 per cent between now and the 1999 academic year cannot be assessed for some time yet?

Mr Walters—We discuss these matters regularly with him and we have agreed that what we need to do is exchange intelligence and information and keep very close. At this stage we certainly do not think it will necessarily be as bad as that or anything like it. But I hasten to add that none of us really knows. We are doing our best to assess the situation on the basis of the information coming in.

Senator CARR—You are speaking of the sector as a whole. You have drawn attention to language training schools, including private ones. Presumably you are also referring to high schools and TAFE colleges. Your section covers all of those. Are you able to give us a breakdown on the different sectors?

Mr Walters—We have here the Chief Executive of the Australian International Education Foundation, John Rowling. I will ask him to take you through the figures in more detail.

Senator CARR—Could you give me the numbers of overseas students in each of the different sectors of the education industry? For instance, how many overseas students do you think are in the schools sector at the moment?

Mr Rowling—I do not have a sector by sector breakdown here with me.

Senator CARR—Could you please take it on notice?

Mr Rowling—Certainly.

Senator CARR—I would like figures for schools—the VET sector in that—TAFE and private providers—the two subsets of that—the English language programs that private providers provide and the universities.

Mr Rowling—We will not have 1997 university figures until March.

Senator CARR—Does it take a year?

Mr Rowling—Yes, for the final figures.

Senator CARR—You must have a rough idea.

Mr Rowling—We certainly know that in general trends the overall numbers for 1997 are up about eight per cent. For the higher education sector they are up about 14 per cent. But the final figures are still being collated.

Senator CARR—I have a quote here from the minister and I assume he is correct. He said, 'ELICOS is expecting to show a decline of 15 per cent.' Would that figure be right?

Mr Walters—There is an ELICOS association. I was not aware that they had expressed that particular view. If the minister said that then we will support that. The answer is that nobody knows at this stage, as I said.

Senator CARR—The minister seems to know. He says that, on the best information, 'The number of international students in Australia last year was up by five per cent.'

Mr Walters—That is correct. It is slightly more.

Senator CARR—He said that the higher education sector showed a growth of 18 per cent over the previous year, VET was up by eight per cent and schools up by three per cent but ELICOS was expecting to show a decline of 15 per cent.

Mr Walters—Indeed, 'was expecting to'. At this stage we simply do not know how it will turn out. Everyone is making their best guess but it has been a very fast moving situation.

Senator CARR—Mr Rowling, could you provide me with the information you have on the distribution of the sector? Do you believe that Australia will earn \$4.4 billion a year by selling education to foreign students by the end of the decade?

Mr Rowling—Broadly, yes.

Senator CARR—So it is a very significant industry?

Mr Walters—It is a significant industry and that projection, again, is subject to the points I made earlier about these projections, Senator. We are trying to adjust them in the light of information that is coming in.

Senator CARR—When will you be able to give us an answer on the likely adjustment?

Mr Walters—We adjust them regularly.

Senator CARR—When is the next time you will be adjusting them?

Mr Rowling—The \$4.4 billion is a recent estimate based on our assessment of what is happening at the moment. That estimate was probably made in the last three weeks or so. The next estimate will probably be made once we get the figures in for student visas, both offshore and onshore, at the end of March or the beginning of April. By then we will have a much better sense of the trends for 1998 and therefore the impact and flow through.

Senator CARR—I would like a copy of those assessments when they are available. It has been suggested to me that that is a 33 per cent rise over the \$3.3 billion the government expects export industry to generate this year. Is that how much you expect?

Mr Rowling—I am not sure whether it is 33 per cent but we are expecting—

Senator CARR—We go from \$3.3 billion to \$4.4 billion. I suppose that is 33 per cent.

Mr Rowling—We are expecting that there would be a fairly substantial rise in export earnings over that period.

Senator CARR—The officers from the higher education sector division indicated this morning that they thought that the contributions from overseas students would be something like \$640 million this year. Would that be in keeping with your understanding?

Mr Rowling—The figure they are quoting there refers to the retained earnings in the higher education sector—the direct earnings. It is in the order of \$640 million to \$700 million.

Senator CARR—That is retained earnings—profits?

Mr Rowling—No, that is what they would collect in direct fees. Whether that is a profit or not would depend on their costs in delivering those services.

Senator CARR—Are you able to indicate to what extent those fees would be used to cross-subsidise the operations of other programs that are operating within the higher education sector?

Mr Rowling—Certainly I would not be able to, and whether they cross-subsidise or not would depend on each institution's own choice. The main issue from the department's perspective is to establish arrangements so that there is not cross-subsidisation of international students by domestic arrangements.

Senator CARR—That is obviously the point I am leading to: to what extent can you establish that there has not been a cross-subsidisation from Australian students to overseas students?

Mr Rowling—In the higher education sector?

Senator CARR—Yes.

Mr Rowling—We would actually need to refer that to the higher education division.

Senator CARR—Could you take that on notice, please?

Mr Rowling—Yes.

Senator CARR—It is obvious that if there is a significant component of individual university programs now devoted to the overseas market we would have to be clear on what basis that market was actually funded. Is it the case that some universities are now relying upon overseas students to the tune of 14 per cent?

Mr Rowling—Some universities do have quite substantial numbers of international students and certainly I have seen figures between 10 and 15 per cent for some.

Senator CARR—Are you able to provide us with the numbers of overseas students in each of the 38 institutions?

Mr Rowling—Yes, we can do that.

Senator CARR—And as a percentage of the total number of students.

Mr Rowling—Yes.

Senator Ellison—Senator Carr, can I ask how much longer you will be?

Senator CARR—It depends on your answer. This could be a real clincher, Minister. If I could have a copy of the Mortley report, it would probably clear up a lot of my concerns.

Mr Walters—At the moment we are hoping that the minister will decide to publish a public summary of that report.

Senator CARR—I understand the minister has stated publicly that he will provide us with a summary, which is very good of him, and since he has managed to talk to a large number of journalists about it one presumes that we have an indication of the summary of that report. What I would like is a copy of the report, Minister.

Senator Ellison—I will undertake to take it up with the minister and I will take it on notice.

Senator CARR—I look forward to your reply, Minister. The marketing in overseas countries of Australian education: what is the amount of money we are spending on that at the moment?

Mr Rowling—The department is probably spending in the order of \$6 million this year.

Senator CARR—How is that figure arrived at? Can you indicate that to me? Perhaps you can take that on notice.

Mr Rowling—It would be better to take it on notice.

Senator CARR—Is it expected that there will be an increase in the allocation of \$6 million to compensate for the loss of students?

Mr Walters—I think all of the allocations for the next financial year will fall out of the budget, so it is not something that we can canvass.

Senator CARR—So there are no plans at this stage to increase the overseas budget?

Senator Ellison—It is a budget matter.

Senator CARR—It has been put to me that 115 English language colleges face an uncertain future as a result of the changes occurring in the Asian economies. Do you have any assessment as to the accuracy of that claim?

Mr Walters—It comes back to what we said earlier in that we are all trying to learn from this situation and are assessing it as intelligence goes on. Certainly the English language sector does not necessarily depend entirely on the countries which have been most affected by the crisis. Some, for example, have quite a high proportion of students from Europe or from South America. So there are a number of markets for that, but it would hardly be surprising if some, particularly those which focus on students from countries most heavily affected, do have some problems.

What we try to do within the department, through the Australian International Education Foundation, is provide on our Web pages and through other services advice to the education sector on what is happening. We try to keep them abreast of events—in so far as we have information to contribute, because they have their own commercial, confidential sources of information—and help them with whatever information we can.

Senator CARR—Is it the case that the Mortley report argues that the 115 English language colleges face an uncertain future, particularly as a result of the Asian economic crisis?

Senator Ellison—That is an anticipatory question.

Senator CARR—No, the report has been concluded and it is with the minister. I am asking the specific question: does it argue that position or not?

CHAIR—The report has not been released yet.

Senator CARR—The report has been concluded—I have already asked a question to get a copy of it. I know the report exists.

Senator Ellison—Can we take that on notice?

Senator CARR—Yes, thank you. Finally, what is the total number of foreign students studying in Australia? Did you give me that figure?

Mr Rowling—I did not. It is about 151,000.

Senator CARR—Thank you very much.

CHAIR—Senator Carr has put on notice a number of questions relating to subprograms 2.1 and 2.2. I would like to thank the minister and members of the staff of DEETYA for their answers and their extraordinary patience. That concludes the additional estimates for Employment, Education, Training and Youth Affairs. Thank you.

Senator Ellison—Thank you, Mr Chairman.

Committee adjourned at 12.29 p.m.