



## Higher Education Support Amendment (Indexation) Bill 2010

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## Higher Education Support Amendment (Indexation) Bill 2010

**Date introduced:** 12 May 2010

**House:** House of Representatives

**Portfolio:** Education

**Commencement:** 1 January 2011

**Links:** The [links](#) to the Bill, its Explanatory Memorandum and second reading speech can be found on the Bills page, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

### Purpose

Provisions in the Higher Education Support Amendment (Indexation) Bill 2010 (the Bill) amend the *Higher Education Support Act 2003* (the Act) to specify a revised indexation formula for programs funded under Part 5-6 of the Act.<sup>1</sup> This gives effect to a recommendation made by the Bradley Review to increase indexation.<sup>2</sup>

### Background

A major concern of the higher education sector has been the indexation formula used for teaching and research grants and student payments.

While the Act currently provides for indexation of amounts under it, it does not specify the formula for calculating indexation adjustments.<sup>3</sup>

The present formula was introduced in 1997 and, despite a review in 2005, has remained unchanged. Universities have lobbied for a new index in which the salary component of

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1. Explanatory Memorandum, Higher Education Support Amendment (Indexation) Bill 2010, pp. 2 and 4.
  2. J Gillard, 'Second reading speech: Higher Education Support Amendment (Indexation) Bill 2010', House of Representatives, *Debates*, 12 May 2010, viewed 1 June 2010, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p?query=Id%3A%22chamber%2Fhansard%2F2010-05-12%2F0009%22>
  3. Explanatory Memorandum, op. cit., p 4. Currently the formula is defined by an agreement between the Department of Finance and Deregulation and the Department of Education, Employment and Workplace Relations.

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the index is changed from the present Safety Net Adjustment (SNA)—which makes up 75 per cent of the current index—to one that better reflects salary movements in the sector.<sup>4</sup>

A comprehensive review of Australian Higher Education was undertaken in 2008 with Professor Denise Bradley as chair of the panel. The review—commonly referred to as the Bradley review—reported in December 2008.<sup>5</sup> Among the review’s 46 recommendations was a recommendation to ‘maintain the future value of increased base funding for higher education by an indexation formula that is based on 90 per cent of the Labour Price Index (Professional) plus the Consumer Price Index with weightings of 75 per cent and 25 per cent respectively’.<sup>6</sup>

Although the Government rejected an increase to base funding it did accept the recommendation for a revised indexation formula and proposes indexing base funding under the new formula from 2012.

As the Labour Price Index (Professional) recommended in the Bradley review has been discontinued, the Government proposes using the Professional, Scientific and Technical Services (PSTS) labour price index (discounted by 10 per cent).<sup>7</sup> The PSTS will replace the Safety Net Adjustment which makes up 75 per cent of the index. The remaining 25 per cent of the index will continue to be the Consumer Price Index.<sup>8</sup> The Government

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4. See: Australian Vice-Chancellors Committee (AVCC), *Laying the foundations: AVCC submission to the Review of the Indexation of University Funding*, AVCC, Canberra, 2004, viewed 31 May 2010, <http://www.universitiesaustralia.edu.au/documents/publications/policy/submissions/IndexationSubmission.pdf>
  5. Department of Education, Employment and Workplace Relations, *Review of Australian Higher Education: final report*, Canberra, December 2008, viewed 31 May 2010, <http://www.deewr.gov.au/HigherEducation/Review/Pages/ReviewofAustralianHigherEducationReport.aspx>
  6. Recommendation 27; for a list of the 46 recommendations made by the Bradley review and the Government’s response, see: Australian Government, *Transforming Australia’s higher education system*, Canberra, 2009, pp. 57–65, viewed 31 May 2010, [http://www.deewr.gov.au/HigherEducation/Documents/PDF/Additional%20Report%20-%20Transforming%20Aus%20Higher%20ED\\_webaw.pdf](http://www.deewr.gov.au/HigherEducation/Documents/PDF/Additional%20Report%20-%20Transforming%20Aus%20Higher%20ED_webaw.pdf)
  7. The Professional, Scientific and Technical Services (PSTS) labour price index is published in the ABS *labour price index* publication which is released quarterly. Latest publication, March quarter 2010, viewed 1 June 2010, <http://abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6345.0Mar%202010?OpenDocument>
  8. J Gillard (Minister for Education) and K Carr (Minister for Innovation, Industry, Science and Research), *Higher education indexation announced*, joint media release, Canberra, 13 May 2010, viewed 1 June 2010, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2FP4PW6%22>

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estimates that the ‘new index will be around 1.8 percentage points higher than the existing index’; will better reflect professional salary movements and maintain ‘the real value of the Commonwealth’s funding and student contributions’.<sup>9</sup>

### Position of significant interest groups

The Government’s 2009 response to support a majority of the Bradley review’s recommendations was widely welcomed by universities.<sup>10</sup> Universities were disappointed the Government rejected a 10 per cent increase in the base funding rate of student places recommended by the Bradley review and the delayed start of the full increases to funding until 2012.<sup>11</sup> However, the sector was particularly pleased to see a commitment to an improved indexation rate even with the 10 per cent productivity discount.

Although the Government did not increase the base funding rate of student places, universities will benefit from the proposed new indexation rate which will apply to both the Government’s and the student’s contribution to the funding of student places through the Higher Education Loan Program (HELP).<sup>12</sup>

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9. Australian Government, *New indexation arrangements*, Canberra, 2009, viewed 1 June 2010, [http://www.deewr.gov.au/HigherEducation/Documents/PDF/Pages%20from%20A09-303%20Budget%20Fact%20Sheets-6\\_webaw.pdf](http://www.deewr.gov.au/HigherEducation/Documents/PDF/Pages%20from%20A09-303%20Budget%20Fact%20Sheets-6_webaw.pdf)
  10. Universities Australia, *Universities Australia applauds federal Budget for higher education, research and innovation*, media release, 12 May 2009, viewed 1 June 2010, [http://www.universitiesaustralia.edu.au/documents/news/media\\_releases/2009/uniaus\\_media\\_05\\_09.pdf](http://www.universitiesaustralia.edu.au/documents/news/media_releases/2009/uniaus_media_05_09.pdf); Group of Eight, *Visionary road taken to university reform*, media release, 12 May 2009, viewed 1 June 2010, <http://www.go8.edu.au/go8media/go8-media-releases/2009/95-visionary-road-taken-to-university-reform>
  11. S Marginson, ‘A touch of the blues’, *The Australian*, 20 May 2009, p. 34, viewed 30 May 2010, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressclp%2F80MT6%22>; see also: A Trounson and B Lane, ‘Euphoria recedes after reality check’, *The Australian*, 20 May 2009, p. 29, viewed 30 May 2010, [http://parlinfo.parlInfo/download/media/pressclp/8ZLT6/upload\\_binary/8zlt60.pdf;fileType=application/pdf#search=%22australian%22](http://parlinfo.parlInfo/download/media/pressclp/8ZLT6/upload_binary/8zlt60.pdf;fileType=application/pdf#search=%22australian%22); A Norton, ‘The gap between us’, *The Australian*, 20 May 2009, p. 33, viewed 30 May 2010, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressclp%2FYZLT6%22>; J Ross, ‘The Pollyanna principle’, *Campus review*, 18 May 2009.
  12. The Higher Education Loan Program (HELP) provides income contingent loans to students in Commonwealth supported places (previously called HECS places), in full fee paying places through FEE-HELP and in units studied overseas through OS-HELP. The student contributions and loan limits under HELP will be indexed by the new formula. However the HELP debt accumulated by the student is indexed annually on 1 June to reflect changes in the Consumer Price Index (CPI). See: Going to Uni website, viewed 1 June 2010, <http://www.goingtouni.gov.au/Main/Quickfind/PayingForYourStudiesHELPLoans/Default.htm>

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## Financial implications

The Explanatory Memorandum states ‘there is no financial impact from this amendment’.<sup>13</sup> However, as a result of the new indexation formula, the Government estimates an additional \$2.6 billion over the five years (2011 to 2015) will be provided to the higher education system.<sup>14</sup>

Although the new indexation formula will not apply until 2012, the Government provided increased transitional funding of \$577.6 million over three years until 2012–13 as a budget measure in the 2009–10 budget.<sup>15</sup> In 2011, the increase in indexation will be provided as conditional funding tied to agreements covering the achievement of institutional performance targets.<sup>16</sup>

From 2012, the new indexation rate will be applied to all funding components without condition. The estimated increased expenditure of \$2.6 billion is not itemised in the 2010–11 budget papers but has been added to estimated expenditure of the 15 programs subject to indexation.

## Main provisions

### Schedule 1

Amendments in **Schedule 1** of the Bill are largely technical. They generally amend **section 198** of the Act to define the new index number; how the index number will be applied; the gazettal of the index number by the Minister; and the re-setting of the indexation clock to the 2012 year.

Proposed subsection 198-20(2) provides for the indexation formula to be specified in the Act ensuring Parliamentary approval would be required for any change in how the formula is calculated.

Proposed subsection 198-20(6) provides that a notice in the *Gazette* specifying an index number is not a legislative instrument.

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13. Explanatory Memorandum, op. cit., p. 2.

14. J Gillard, ‘Second reading speech: Higher Education Support Amendment (Indexation) Bill 2010’, op. cit.

15. Australian Government, *Transforming Australia’s higher education system*, Canberra, 2009, p 6;

16. Australian Government, *Budget measures: budget paper no.2: 2009–10*, Commonwealth of Australia, Canberra, 2009, p. 143.

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**Item 4** repeals section 198–25, which currently provides for a review of the indexation mechanism from 2007-08. While the Bradley Review has rendered this provision redundant, it is noted that the proposed amendments in the Bill make no provision for any future review of indexation under the Act.

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