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SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

THURSDAY, 5 JUNE 2003

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SENATE
EMPLOYMENT, WORKPLACE RELATIONS,
AND EDUCATION LEGISLATION COMMITTEE

Thursday, 5 June 2003

Members: Senator Tierney (*Chair*), Senator George Campbell (*Deputy Chair*), Senators Barnett, Carr, Johnston and Stott Despoja

Senators in attendance: Senators Barnett, Carr, George Campbell, Collins, Crossin, Johnston, Mason, Nettle, Stephens, Stott Despoja, and Tierney

Committee met at 9.02 a.m.

EDUCATION, TRAINING AND SCIENCE PORTFOLIO

Consideration resumed from 4 June 2003.

In Attendance

Senator Alston, Minister for Communications, Information Technology and the Arts

Australian National Training Authority (ANTA)

Ms Moira Scollay, Chief Executive Officer

Mr Steve McDonald, General Manager

Ms Liz Furler, General Manager

Mr Adrian Stephens, Director, Client Relationships

Ms Kareena Arthy, Director, Research, Planning and Reporting

Ms Lesley Johnson, Director, Business Management

Australian Research Council (ARC)

Prof Vicki Sara, Chief Executive Officer

Mr Greg Harper, Deputy Chief Executive Officer

Mr Len Marsden, Executive Director, Corporate

Enterprise and Career Education Foundation (ECEF)

Mr Bill Healey, Chief Executive Officer

Higher Education Group

Dr Jeff Harmer, Secretary

Dr Wendy Jarvie, Deputy Secretary

Mr Bill Burmester, Group Manager, Higher Education Group

Dr Evan Arthur, Branch Manager, Innovation and Research Branch, Higher Education Group

Ms Sian Lewis, for Branch Manager, Quality, Equity and Collaboration Branch, Higher Education Group

Dr Carol Nicoll, Branch Manager, Funding Branch and Higher Education Reforms, Higher Education Group

Ms Maria Fernandez, Director, Institution Financing Unit, Funding Branch, Higher Education Group

Mr George Kriz, Chief Lawyer, Parliamentary Assurance and Legal Group

VET Group

Dr Jeff Harmer, Secretary

Ms Lisa Paul, Deputy Secretary

Mr Colin Walters, Group Manager, Vocational Education & Training Group

Ms Mary Johnston, Branch Manager, Industry Training Branch, Vocational Education & Training Group

Ms Rebecca Cross, Branch Manager, Quality & Access Branch, Vocational Education & Training Group

Mr Ben Johnson, Branch Manager, New Apprenticeships Branch, Vocational Education & Training Group

Schools Group

Dr Jeff Harmer, Secretary

Ms Lisa Paul, Deputy Secretary

Mr Tony Greer, Group Manager, Schools Group

Mr Chris Evans, Branch Manager, Funding and Coordination Branch, Schools Group

Mr Arthur Townsend, Branch Manager, Quality Schooling Branch, Schools Group

Mr William Thorn, Branch Manager, Performance & Targeted Programmes Branch, Schools Group

Ms Shelagh Whittleston, Branch Manager, Enterprise and Career Education Branch, Schools Group

Ms Di Weddell, Branch Manager, Review of Teaching and Teacher Education Branch, Schools Group

Mr John (Joey) Baker, A/g Director, Transition Partnerships Section, Enterprise and Career Education Branch, Schools Group

Mr Craig Storen, Acting Branch Manager, Finance Branch, Corporate Strategy Group

AEI Group

Dr Jeff Harmer, Secretary

Dr Wendy Jarvie, Deputy Secretary

Mr Michael Gallagher, Group Manager, AEI Group

Ms Julie Walding, Acting Branch Manager, International Cooperation Branch, AEI Group

Ms Margaret McKinnon, Branch Manager, Export Facilitation Branch, AEI Group

Mr Anthony Zanderigo, Director, Market Development Unit, Export Facilitation Branch, AEI Group

Ms Rhonda Henry, Branch Manager, Educational Standards Branch, AEI Group

Ms Linda Laker, Director, Industry Regulation Unit, AEI Group

Mr Bill Bowron, Chief Audit Officer, Audit and Investigations Group

Australian National Training Authority

ACTING CHAIR (Senator GEORGE CAMPBELL)—I declare the hearing open. Mr Walters, I have a few miscellaneous questions which primarily I think are directed at you. Can you advise us how many trainees and apprentices were existing employees—defined as those employed in the business for less than three months full time or less than 12 months part time or casual—during the 2002-03 financial year, compared to the 2001-02 financial year?

Mr Walters—Obviously, with the 2002-03 financial year not being finished, we will not be able to answer that question now. The NCVER statistics for the end of June will appear in approximately October, so I could take that one on notice and give you the answer then.

ACTING CHAIR—Do you have any progressive statistics for the year to date?

Mr Walters—We have statistics which were released on 31 December, which I have and can give you in a moment. In terms of existing employees under the incentive scheme—and I did answer the question last night—the proportion has been roughly a third. It might be up to about 36 per cent. It has been fairly stable now for about two or three years. That is the answer I gave last night.

ACTING CHAIR—Based on the December 2002 NCVER statistics, and given that 28 per cent of all New Apprenticeships are existing workers, what was the total level of Commonwealth funding spent in the 2002-03 financial year on training of existing workers, in terms of incentive payments and funding to states for registered training organisations? I accept that that may be a progressive figure.

Mr Walters—You would like us to tell you how much has been spent so far in this financial year on existing workers.

ACTING CHAIR—Yes.

Mr Walters—Obviously I will have to take that one on notice.

ACTING CHAIR—Thank you. Can you tell me how much Commonwealth funding by way of incentives was paid to employers during the 2002-03 financial year for commencing trainees who did not complete their traineeships? Again, I accept it will be progressive figures.

Mr Walters—I think that would have to be an estimate because we also would need to define what you mean by trainees. I could give you the answer for the AQF II level, who are trainees for whom we do not pay a completion fee. We would probably be able to give you an estimate for that. For the AQF III level, we do not keep a clear distinction between trainees and apprentices. I make the point, too, that it would have to be an estimate for the simple reason that for apprentices at the AQF III level the standard completion time is four years, so anybody who commenced last year would not necessarily complete for another three years. Our experience is that they might take five or six years. We might have to see whether we could give you an estimate of that. I am not sure whether it would be possible, simply because it extends into the future.

ACTING CHAIR—I am happy if you focus it on AQF II and below.

Mr Walters—We could give you an estimate of the number of AQF IIs last financial year for whom we made a commencement payment and for whom there has been no completion. On NCVER figures, that would be approximately 55 per cent of those for whom a commencement payment was made, if the current completion rate is roughly equivalent to the completion rate that existed in the mid-nineties, which we are not sure about. I say that because we do not necessarily keep records of completions for AQF IIs because we do not make a completion payment. The purpose of the payment at the AQF II level is that they are fairly short traineeships and we only make a commencement payment. They are only about a

quarter—20 per cent, I think—of the total. We do not necessarily keep completion records for them because we do not make a completion payment.

Senator GEORGE CAMPBELL—But you might be able to get those statistics.

Mr Walters—We might be able to come up with an estimate. It would be pretty loose.

Senator GEORGE CAMPBELL—Fine, thank you. On the apprentices in training at December 2002, can you provide us figures on how much funding was provided by way of incentive payments to employers for: (a) apprentices and (b) trainees? How did this compare with the period to December 2001?

Mr Walters—It would not work quite like that. I will explain a little bit about the system because it is commonly misunderstood. Because we only pay incentive payments at the three-month point and when a registered training organisation has been taken on, and because people can claim up to 12 months after that, it is a very long time before you can actually correlate the incentive payments with the point of registration. We could probably provide you with a breakdown of the incentive payments that were made in the 12 months up to 31 December. In looking at that information, I would ask that you please bear in mind that, as I said, although it is commonly assumed that we pay for every registration, we do not. We only pay at the three-month point if we have proof of continued employment and that a registered training organisation has been taken on.

Senator GEORGE CAMPBELL—Could you give me the comparable figures for the last two years?

Mr Walters—We could certainly give you the incentive payments that have been made in the calendar years of 2002 and 2001.

Senator GEORGE CAMPBELL—Fine, thank you. Do you consider the decline in people taking up trade based apprenticeships to be a problem?

Mr Walters—I would if there was a decline, but the NCVER statistics show that there has been something like a 13 per cent increase in the amount of traditional trade training since 1995, and the December NCVER statistics, from memory, show a 17 per cent increase in the number of traditional apprenticeships since 1997. That is not to say that in some trades, of course, the numbers have not declined, just as employment has declined in some trades. It is a mixed pattern. Over the whole area, there has been an increase.

Senator GEORGE CAMPBELL—Can you give us the figures for the increase or the decline for each of the trade groups over that period?

Mr Walters—Yes, we can.

Senator GEORGE CAMPBELL—We have figures that show that in some areas the decline is as much as 24 per cent.

Mr Walters—I have seen a lot of figures quoted in this area. It is certainly the case that some trade areas have declined, just as we know that some trades have declined. The decline in employment does not necessarily correlate entirely with the decline in trade training, but the overall figures are up. The other point I would make is that sometimes I see figures assessed on this issue which do not take account of the discontinuity. This issue has come up

with Senator Carr in the past. Sometimes there are recodings from one trade to another and people see a dramatic decline in the figures and do not realise that has been the result of a recoding. If you look somewhere else in the figures you will find a commensurate increase. The figures take quite a lot of skill in interpreting, but we will certainly give you the figures over the main trade groups.

Senator GEORGE CAMPBELL—Where that has occurred, can you indicate the link?

Mr Walters—In the case of declines where there have been changes in coding which have made significant differences, we will point that out.

Senator GEORGE CAMPBELL—Do you expect the number of people taking up trade based apprenticeships to fall again in 2003-04?

Mr Walters—As I say, it has not actually fallen; it has increased. The issue is whether it will now fall. The figures tend to be quite closely related to employment in the economy. Therefore, we look to DEWR forecasts of employment. I do not think we have seen anything which would suggest a significant trend one way or the other. As you know, the economy has been slowing recently, and there are factors which we have not yet fully taken into account, which are SARS and the effect that will have on the economy. I would not like to say I have an expectation one way or the other. Certainly we hope that the new marketing campaign will help to increase the numbers in traditional trades, or at least stop any decline. That is the objective: to increase interest in training in the traditional trades. We are very much trying to do that.

Senator GEORGE CAMPBELL—Given the figures that we went through last night across the various trade groupings where there are identifiable skills shortages, has the department given any consideration to providing additional incentives in these groupings to encourage the further take-up of those trade based apprentices?

Mr Walters—There was consideration given to this issue in the review of incentives which took place last year, in which there were a large number of submissions, but the outcome did not include any additional incentives for traditional trade groupings. It is worth bearing in mind that most of what will be called the traditional apprentices come at level III and above, where they attract much larger incentives than the AQF II level. Most of the traineeships which people regard as fairly short are at the AQF II level and only attract a commencement payment. AQF III level apprenticeships and the longer traineeships attract both a commencement and a completion payment, a total of \$4,400—so they already attract substantially more money than short traineeships.

Senator GEORGE CAMPBELL—But it is also true, isn't it, that in the business community they are still arguing that that is not sufficient to make it attractive to take on trade based apprentices, given that for the first 12 to 18 months it is virtually an unproductive time?

Mr Walters—I have heard that argument, certainly. I would not say it is an overwhelming view of the business community. The business community is enormous and has a great variety of views. All of the views were canvassed in the review of incentives last year. The main changes coming out of that will kick in from 1 July. The main change has been a simplification of the system with a shift to completion payments, so completion payments for the higher level apprenticeships and traineeships are now about 62 per cent of the total. They

all come in on 1 July. Certainly what you are referring to is one of the arguments that was put during the review, but it was not reflected in the outcomes.

Senator GEORGE CAMPBELL—Given that those trades that were indicated as having shortages across all states—we went through them last night, and they were remarkably similar across all states and territories—are fairly critical in terms of the contribution to our economy overall, has there been any consideration of improving the incentive payments in the trades area as opposed to the traineeship area?

Mr Walters—As I mentioned to you, this was all considered in the review of incentives last year. A large number of organisations put in submissions, and the outcomes will be implemented from 1 July. They did not result in any further differentiation between the low-level traineeships and the apprenticeships, which, as I have just explained, are already quite large. It is also worth bearing in mind that, while the traditional trades are of course critical to the economy, so are the service areas. As I mentioned to you last night, we have recently seen a report by Professor Schofield, in the South Australian government, which points out that in that jurisdiction over 90 per cent of all new jobs created over the last two decades have been in the service industries of property and business services, health and community services, retail trade and accommodation, and cafes and restaurants. So in deciding where to take the scheme, we have to balance the needs both of the traditional trade areas and of the service areas, which have provided the vast majority of employment growth in recent times.

Senator GEORGE CAMPBELL—As I also pointed out last night, Professor Schofield also makes the point that there are no skills shortages in those areas.

Mr Walters—This is not what industry tells us. For example, we have been looking with the retail industry at skills shortages in that industry. Skills shortages are not just a factor of the traditional trade. They exist, for example, in parts of the IT industry. They exist in retail—the retail industry has told us that there is a shortage in terms of people that want to go on to management. There are a lot of people that go into retail as a temporary job, or they do it as a first job. There are not enough people, they say, that want to actually go up through the management chain. Every industry will tell you—at a time of fairly low unemployment, as we have at the moment—that there are shortages of one sort or another. We try and work with all sorts of industry to address the problems that they have.

Senator GEORGE CAMPBELL—Why would Professor Schofield make a statement to the committee's inquiry that the only real skills shortages that exist are in the traditional trades and manufacturing?

Mr Walters—If you could just point me to the quote I might be able to see the context.

Senator GEORGE CAMPBELL—I only had the submission that she made to this inquiry I did not have the report because it was not released at the time.

Mr Walters—I would say that that is not what industry tells us. Industry tells us that there are also shortages that need to be addressed in places like IT, in retailing and in all sorts of parts of the economy. It is not just an issue for the traditional trades, according to industry. The traditional trades certainly have shortages, though, and we have been working with industry to deal with them. We are directing the marketing campaign at them, there are higher incentives paid at the higher levels. There is a lot happening. We have had NISI groups

looking at engineering, electrotechnology, rural, building and construction, and various other industries. There is a great deal happening.

Senator GEORGE CAMPBELL—Isn't that going to be a critical phase, over the next three- to five-year period, when those major projects come on stream?

Mr Walters—I think if you listen to industry it is always a critical stage because industry is changing very fast. If you listen to the IT industry, for example, they will tell you things are changing very fast. I have heard a statistic quoted that in 20 years time something like half the workforce will actually be employed in occupations that do not exist at the moment. In addition to looking at traditional trades, one of the things we have been doing through the National Industry Skills Initiative is looking at emerging industries. We have recently, in association with the Australian Industry Group, published a report on emerging industries. There is going to be a working group taking forward how we actually adjust our skills needs to emerging industries, as well as traditional ones.

Senator GEORGE CAMPBELL—I understand what you are saying but is it not true that, if you look across this country at the moment, there is something like \$18 billion to \$20 billion worth of project work that is due to come on stream in the next three- to five-year period, which is going to suck the guts out of the metal trades people around this country. At the end of the day, there will not be skills shortages on those projects because the supply and demand will drive the wages up to the degree where it will be very easy to get them. There are going to be chronic skills shortages in the metropolitan areas in the traditional metal manufacturing and jobbing shops. That will force many of those businesses out of business, which did occur on one other occasion in this country. Are you suggesting there is nothing out there that is of any concern and somehow or other that will all just fix itself according to the market?

Mr Walters—The last thing I want to suggest is that there is no reason for concern. Professor Schofield, in this report, points out that because there are skills shortages it does not necessarily mean there is anything wrong with the vocational education and training system. She also goes on to say that unless skills shortages are addressed, it will have important consequences for the country. The Commonwealth accepts that. If you go back a few years, it is the reason for the creation of ANTA. It is the reason for the creation of the training package system, it is the reason why we have seen numbers in the vocational education and training system nearly double in 10 years. It is the reason we have seen a large increase in New Apprenticeships, including traditional ones. It is the reason why we have had the National Industry Skills Initiative. It is the reason why we have got the Commonwealth incentives program. It is the reason why we have got the new marketing program. The government entirely accepts that these are serious issues which need to be dealt with and we discuss them regularly with industry. We put an enormous amount of effort and energy into dealing with them, as does the Australian National Training Authority.

Senator GEORGE CAMPBELL—There are all those programs out there, yet the evidence that we are getting before us is that there are still skills shortages and that industry is training less and does not have the capacity to train. There have been a number of significant reports done for the Victorian Manufacturing Council, for example, on what is happening in terms of skilled workers in that particular area. We hear employers saying to us that young

people come out of school, do not have the basic skills that they require, do not have the right attitude, do not have the right aptitude and do not have the sort of skills that are important for them to be successful in the work force, which goes back to the matter of competencies. All of those things that you say have been done over the past 10 years or so is true, but there is still very substantial criticism out there in the employer community in terms of the mix of our skills base, what they see as chronic shortages and the lack of the system's capacity at the moment to actually deliver what industry needs. That is what they are saying to us, so we can only go on the evidence that has been put to us.

Mr Walters—Criticism is very healthy. They put it to us, and we entirely agree, that the system needs to develop and evolve. At the same time, it is worth bearing in mind that it has grown—it has nearly doubled in 10 years. The system has increased by about 38 per cent since 1995. The New Apprenticeships system is now the largest in the English speaking world, so there has been an enormous amount of achievement. There is also a lot more that needs to be done. We are working very closely with industry, and we have a large number of programs aimed at addressing those issues.

Senator GEORGE CAMPBELL—But the New Apprenticeships system in the main, Mr Walters, as I understand it, is short-term training, isn't it?

Mr Walters—No, about 75 per cent of the system is at the AQF III level or above. At the AQF II level, it is around 20 per cent or slightly less.

Senator GEORGE CAMPBELL—And those AQF III levels are what, four-year programs?

Mr Walters—No, because we have seen in this country a move away from time based training for a number of reasons. Firstly, employers have seen it is too inflexible. Secondly, now that a large number of the young people that you are coming into the system have completed year 12 or at least done a lot more schooling than they had in the past, the prospect of a four-year apprenticeship is less appealing at the age of 18 or 19 than it is necessarily at the age of 15 and 16.

Employers have been telling us that young people are looking to get their competencies much more quickly and are also recognising that they have had more schooling. Interestingly, I found this too in Germany when I took a study tour last year and where I found that the traditional three-year apprenticeship which operates in Germany is curtailed to two years for people who have got the equivalent of year 12. I think both in Germany and here—and I mention Germany because they are often seen as market leaders—there is a recognition that basing training purely on time served is not necessarily the way to go for the future.

Senator GEORGE CAMPBELL—And that is what we have done here, although a number of employers have said to us that they want to keep the time served component of it because they think that is important. But isn't the shortening of the training period a contributing factor to the figures you gave us last night about the lack of skills in niche areas?

Mr Walters—I would not see a correlation at all. Certainly the ability to have more flexible training methods gives employers the ability to get more people into the work force more quickly if they can reach the level of competence. The entire training package system is based on competencies, so it is whether or not you have attained the competencies rather than

whether you have served the time. This also, for example, gives employers the ability to bring mature age people back into the work force and to give them retraining, which is going to be very important for this country. The demographics show that the work force is getting older, and we need to make more use of older people in the work force.

Senator GEORGE CAMPBELL—But it is also about the range of skills that people pick up through the training process.

Mr Walters—And, in that respect, we now have a training package system that covers far more of the industry than the old traditional apprenticeship system. I think it covers something like 80 per cent of the work force—I see my colleagues in the training authority nodding—and we have also got the New Apprenticeships system which, again, covers virtually every major industrial area and provides training there, whereas the traditional apprenticeship system was based entirely on the traditional trade areas. It is worth bearing in mind, Senator, that traditional trade areas account for 13 per cent of the work force, yet they still account for 36 per cent of new apprentices.

Senator GEORGE CAMPBELL—But, if the system is working so well in the way you describe it, why are we getting considerable complaints, particularly from people in the trades areas who require licensing arrangements to be able to effectively operate? We had evidence given to us in Queensland, for example, from electrical apprentices who had completed their apprenticeship, been signed off as being competent and been refused their electrical licence because they did not possess the necessary skills to meet the needs of the licensing board. Some of these people have been forced to go back and do an additional six months of training in order to get those additional skills.

Mr Walters—The licensing system, coming on top of the training system, has been an issue which employer organisations have asked us to look at very seriously, because they take the view that people coming out of the training system with the requisite competencies should not have to go through a separate series of hurdles in order to be licensed. Therefore, the training authority has been leading an exercise to look at licensing in industry and cooperation with industry. In some cases, this means adjusting the training system to make sure it does meet fully the requirements of the licensing system. In other cases, I think it is going to mean changing the requirements of the licensing system so that the outcomes of competency based training are fully recognised. I do not know if the training authority would like to add anything on the progress of that particular project.

Ms Scollay—There is a considerable amount of work being done now on the integration of training issues with licensing issues. It really is a big issue for us; it is a big issue for the whole country. Sometimes it manifests itself because the industry licensing people do not have enough confidence in the VET system. Other times it manifests itself because there are eight different state and territory licensing systems, and in the development of the training package the consensus has been that the training package will meet the requirements of, say, seven of the eight states. We are trying to put pressure on the eighth state to change their licensing requirements to bring them into harmony with all the other states and territories. We are now at a stage of having reached agreement across the states and territories to confront this issue head-on. It has been quite difficult to get the VET sector, particularly the ministers

in the VET sector, to deal with licensing issues because they are not within their portfolio in most state governments. It is usually in a different part of the government.

With a range of whole-of-government approaches we are now running a series of projects. We produced a report last year called *A licence to skill*, which highlighted a whole range of issues. I am sure it has been tabled already with this committee. If you do not have a copy we can certainly get you one. It highlights a whole range of issues to do with the interface between the VET system and the licensing system. I will give an example of the finance industry. We have had long negotiations with ASIC about the training system fulfilling the requirements for the competency standards that are now required under the legislation for financial advice. We have had to work with the finance regulators to make sure they are happy with the quality of VET training, so that a VET certificate gives you the licence as well. That has to happen across every industry. In some cases where you do not have a national regulator but you have eight state and territory regulators, there is a lot of work to do to ensure you get all the regulators agreeing that the set of competencies in any given training package will satisfy the standards for licensing. The example that you gave of the Queensland electrical apprentices is one of those cases where it is done on a state and territory basis. The training packages are always trying to set a standard which everyone will agree to, and if one state is different from all the rest then the pressure is on that state to try to bring their licensing requirements into line with every other state.

Senator GEORGE CAMPBELL—That seems to be an issue that needs to be addressed with some urgency. It must be pretty debilitating for young people who get signed off as being competent then cannot get their licence to be able to practise but have to go back and do additional training in order to meet those requirements.

Ms Scollay—We would certainly agree with you. I would say that 18 months ago we could not get agreement around the states and territories to make this a top priority. That has now changed and this is something which ANTA is progressing now with a great deal of vigour.

Senator GEORGE CAMPBELL—Given the reduction in real terms of Commonwealth funding to the states and territories from \$230 million, cumulative over three years between 2001 and 2003, to \$218.7 million, between 2004 and 2006, combined with a continual unmet demand for vocational training places through TAFE—which is currently 40,000 per annum—how does the Commonwealth expect to fund increased training places to meet the skills development needs of industry?

Mr Walters—I am afraid your arithmetic is not quite right there.

Senator GEORGE CAMPBELL—Please correct me.

Mr Walters—The growth funding which has been available over the last three years continues and the extra money that we are talking about over the next three years comes on top of that, so there is not a reduction.

Senator GEORGE CAMPBELL—Where is the additional money in this budget for the VET system?

Mr Walters—The additional money that will be brought into the ANTA Agreement is as we described it last night. It is \$218 million and it consists of \$68.7 million—which comes

from additional funding for Commonwealth priority areas in the welfare reform measures—together with indexation of base funding of \$136.5 million, plus additional indexation on growth funding of \$13.5 million.

Senator GEORGE CAMPBELL—Wasn't that a reduction?

Mr Walters—No, it is an increase.

Senator GEORGE CAMPBELL—What is the actual amount of increase?

Mr Walters—The amount of increase is \$68.7 million in additional funding for Commonwealth priority areas—and that comes from various welfare reform measures—together with an indexation of base funding of \$136.5 million, plus additional indexation on growth funding of \$13.5 million. That makes a total of \$218.7 million over three years.

Senator GEORGE CAMPBELL—And in the previous three years it was \$230 million?

Mr Walters—For the previous three years of the existing ANTA Agreement, that is quite correct. As Senator Carr pointed out last night, there was \$50 million in the first year, \$75 million in the second year and \$100 million in the third year—together with some indexation. By the way, all of that is to be matched by the states. So in terms of its impact on the system, it has doubled. What we are asking the states to do this time around is to match the indexation on the growth funding—which is \$25.5 million—and to match the \$119 million of additional funding for Commonwealth priority areas. If the states do that, and if they continue to match the growth funding, then they are being asked to match \$445 million. So you have to add all of that in, in terms of the additional resources available to the system. That is dependent on the states agreeing to match the Commonwealth's funding, and that is one of the issues that will be discussed at the ministerial council next week.

Senator GEORGE CAMPBELL—What are the Commonwealth priority areas?

Mr Walters—The Commonwealth priority areas have been set out in two successive budgets. They were set out in the programs called Australians Working Together, which is commonly known as welfare reform; a Better Deal for People with Disabilities; Helping Parents Return to Work; and a Fair Go for Mature Age Workers. In last year's budget funds were set out under Recognising and Improving the Capacity of People with a Disability.

Senator GEORGE CAMPBELL—What was the level of expenditure on consultants used by the department and the Australian National Training Authority for the 2002-03 financial year?

Mr Walters—Our chief lawyer might have the figure in relation to the department, in a moment.

Dr Harmer—If it is not here we may need to take it on notice. If we have it here we will give it to you now.

Senator CARR—I have put a question on notice about this already.

Dr Harmer—I think we will take it on notice.

Senator GEORGE CAMPBELL—How many staff were employed, at what levels and in what areas in the department, and allocated to vocational education and training matters? And

within the Australian National Training Authority what numbers are projected to be employed during the 2003-04 year compared to the 2002-03 year?

Mr Walters—Within the department the number fluctuates from time to time because of births, marriages, deaths, promotions and such like, but it is about 120. And out in the states we have perhaps another 40 or 50—again that fluctuates from time to time—working on programs in the vocational education and training area and in the transitions area, on Jobs Pathway and things like that. It is approximately that number, and there is no significant change between this year and next. It changes according to temporary needs. We might take a few temporaries on if we are doing a tender process or something like that but there is no basic change in the underlying base.

Senator GEORGE CAMPBELL—Is it the same for the department and for ANTA?

Ms Scollay—I will not have the data on the consultancies for ANTA for 2002-03 until the end of the 2003 financial year. I can certainly forward that to you.

Senator GEORGE CAMPBELL—That is on the consultancies?

Ms Scollay—Yes.

Senator GEORGE CAMPBELL—What about the staff employment numbers?

Ms Scollay—The standard operating number for staff is 100 to 101.

Senator GEORGE CAMPBELL—Is that predicted to change in 2003-04?

Ms Scollay—Not substantially, no.

Senator GEORGE CAMPBELL—The Victorian state government intends to broaden the range and type of courses it delivers and funds through VET, which includes training packages. It argues that current qualifications are not well matched to the skill needs of emerging occupations. It appears that there are requirements for a mixture of vocational, academic and generic skills not usually available through current qualifications. Queensland VET has flagged similar moves. Can ANTA comment on these developments? Are you aware of them? Do you consider that they indicate a need for a rethink of the current approach to vocational education?

Ms Scollay—I did not hear the introduction of what you said. Who was it who made that first complaint?

Senator GEORGE CAMPBELL—The Victorian state government and Queensland VET have flagged similar moves. They are essentially saying that the current qualifications are not well matched to the skill needs of emerging occupations. It appears that there are requirements for a mixture of vocational, academic and generic skills. I must say that we have heard this argument put to us from a number of people; many employers these days do not want simply a person with a particular degree or a diploma but with a mixture of elements out of the two areas. Are you aware of them? Do they indicate a need for a rethink in terms of the current approach to vocational education?

Ms Scollay—There are a couple of ways of approaching this issue. One is to say that the system that we have at the moment—the training package based system—where industry spells out the competency standards it believes it needs for the workplace, is a system which

is contributed to by industry and all the states and territories, and the states and territories sign off on those training packages. In 1999 the Australian Industry Group produced a report called *Training to Compete*. It highlighted in a fairly strong way the extent to which there was a greater need from employers for what were termed at the time soft skills—generic skills and employability skills.

Since that time ANTA has been working with industry and with the states and territories to look at how we are going to better reflect the teaching and assessment of those employability skills. There is an enormous amount of work under way and there is work being piloted. There are different views about how to best teach and assess these employability skills, and there is some view that to some extent in some industries at some levels they need to be embedded in the way the work is done and the way the training is done. Others would say in some other areas you need to teach it quite separately and assess it quite separately. We are piloting a range of different methodologies as to how best to reflect these quite generalised employability skills through the training package system. All the states and territories are part of that process.

As well, you have really exciting developments through the system of post-compulsory education and particularly with the emphasis on VET in Schools. The Victorian government for instance has produced their VCAL qualification, which allows for even more variety in the school setting of general education, with vocational education and general employability skills. We would welcome that kind of move. To the extent that within VCAL they are doing vocational qualifications, they are still sticking with the training package. So they are trying ways of finding a more rounded approach to schooling that will assist those young people as they make their transition most likely into the VET system or the TAFE system.

There is at other levels a whole lot of movement of people between the VET sector and the higher ed sector, where you are seeing people realise the need of industry for a general education combined with a technical education. For instance, there is a very big movement of people, who already have a degree, towards getting a vocational qualification—as a specialist qualification, if you like—on top of the higher level general education they would have received at school. So you are now seeing a very large shift of people from uni to VET as well as VET to uni, which would have been the traditional pathway. There is a whole array of ways this is being picked up, but it is something we are all focusing on.

As I think I may have said to you before, there is a role for industry to play here too. We have all expressed concerns about what we have called the ‘institutional pathway’ and the extent to which people can gain these employability skills if they do not have access to a workplace. Movements to try to enhance the engagement of industry in providing workplaces in order to develop employability skills, particularly in young people, is another area of high priority for all governments and all ministers. That is a focus too.

Senator GEORGE CAMPBELL—In Professor Schofield’s submission to the inquiry, she was strongly of the view that employers ought to meet costs of those employability skills, because they were the ones demanding the skills and they could only be developed when people actually entered the work force.

Ms Scollay—We would agree that it is very hard to learn employability skills in a decontextualised way. That is why we are pursuing these employability skills so closely with industry.

Senator GEORGE CAMPBELL—It is the mix and match at the top end, where there is more demand coming from industry for the capacity to do that. That raises the issues around articulation, which still remain very much unresolved between the various sectors.

Ms Scollay—Yes, I think that is right.

Senator GEORGE CAMPBELL—I presume you are involved in working in that area of articulation.

Ms Scollay—Very much so.

Senator GEORGE CAMPBELL—It is unfair to generalise, because in some areas there are arrangements being made, but it has been put to us that there is no systemic program in place for articulation—it is very much a one-on-one negotiated arrangement between the various institutions.

Ms Scollay—That is right. I think that situation will remain as long as the framework for the movement from schools to unis, schools to VET or VET to uni remains: you have a national system of VET, and when it gets into schools it gets atomised into eight state and territory systems which then try to articulate into university; you then have VET running a national system, which has to negotiate with 37 universities. We are constantly negotiating those boundary issues. We have the cooperation of something like 22 of the universities already, for fairly good articulation arrangements between VET in Schools and tertiary entrance scores and university entrance. However, as you know, each university retains its right to assess each individual on their merits in terms of what they will accredit. That is something we are constantly working on with the university sector.

Senator GEORGE CAMPBELL—One of the issues that appears to be important is probably much more basic, and that is the way in which the funding arrangements work. There are concerns about funding not dripping from one bucket into the other bucket and about there being a cost to one of the other sectors. That is one of the issues that will have to be addressed if articulation is going to work effectively in the longer term. We understand that the Western Australian state government has issued a consultancy to look at these issues. I do not know when that will be available, but it may shed some light on the way forward. You stated in your submission to the current and future skills needs inquiry that the public VET sector is delivering skills to 1.76 million students, and in 1992 there were just over one million students. Can you advise me how many of these 1.76 million students were involved in New Apprenticeships at certificate II or below level?

Ms Scollay—We will be able to give you that figure. For 2001, there were a total of 374,800 new apprentices. Mr Walters has already given you the figure for the number that are at certificate II or below. It was in the order of 20 per cent. I can look it up; I have it here.

Senator GEORGE CAMPBELL—Can you take it on notice and give us the precise figures?

Ms Scollay—Yes, I will give you the precise percentage.

Mr Walters—I can confirm that. The number of new apprentices in training at AQF II or below is under 20 per cent. The figure is—this is for December—67,424 out of 1.7 million VET students.

Senator GEORGE CAMPBELL—Thank you for that. Are there any new initiatives in the 2003-04 budget designed to encourage or provide incentives to enterprises to upgrade the skills of their workers?

Mr Walters—The entire New Apprenticeships Scheme is really designed to help employers upgrade the skills of their workers in the sense that it is paying—

Senator GEORGE CAMPBELL—That is not a new incentive. That has been there for—

Mr Walters—In terms of new incentives, the incentive scheme was announced last year and comes into effect on 1 July. I can certainly give you an account of the outcomes of that if you wish. It is all on the web site. But a number of changes were made. In particular, the scheme was redesigned in order to be simpler. In the past, at the AQF III level and above there were incentives for commencement, at the mid point and at completion. Everyone said that it was too complex. Therefore, we only have two main payments: we have the commencement payment, which is paid at the three-month point when a registered training organisation has been engaged; and we have a completion payment when evidence of completion is received. We have also at the same time, in order to encourage completion, redistributed the mid-point payment 80 per cent towards to completion and only 20 per cent towards increasing the commencement payment. The overall payment now is something like 62 per cent loaded onto completion. That was the main change.

We have made some changes to the payments to group training organisations in order to bring them onto the same basis as other employers and in order to enable group training organisations to provide a more effective service, and we have provided transitional arrangements for them. We have extended disabled apprentice wage support to all new apprentices, whereas it is currently available for apprentices only and not trainees. We have increased the rate of the living away from home allowance to help new apprentices who have to live away from home. We have also introduced an additional incentive for disadvantaged mature age workers over 45 who are welfare dependent, who are returning to the work force or who are made redundant. That is going to be an extra \$825 commencement payment and an \$825 completion payment. That kicks in on 1 July.

Additionally, we have relaxed the barriers to taking on new apprentices with old prior qualifications so that if a prior qualification is more than seven years old it can now be discounted for the payment of employer incentives. The reason we have done that is the one I mentioned earlier on: we are told that qualifications change so rapidly now that they fairly quickly can become obsolete. There are people with qualifications more than seven years old that really do not help them gain employment any longer. In future, they will be eligible.

All of those incentives will come in on 1 July. In addition, from 1 January just gone there was a new incentive introduced for New Apprenticeships in innovation industries. That started on 1 January, together with additional incentives to encourage school based New Apprenticeships. There has been a large amount of change in that area. The main changes have been to simplify the system and to encourage completions.

Senator GEORGE CAMPBELL—Can you provide us with the current suite of programs that provide incentives for enterprises to use VET to upgrade their employee skills and how much is spent each year on these programs?

Mr Walters—Yes.

Senator GEORGE CAMPBELL—You have mentioned a number of them so I am having trouble following you.

Mr Walters—You will find that the overall figures are in the Portfolio Budget Statements on page 132.

Senator GEORGE CAMPBELL—Does that cover the whole suite of programs?

Mr Walters—Yes, it does. You will find under output 2.2, ‘Support for New Apprenticeships’, provision in the budget estimate for 2003-04 of \$533 million. You will see that that is up from an estimated actual in the current financial year of \$454 million, so it is a fairly substantial increase.

Senator GEORGE CAMPBELL—Does that give a breakdown of each of the component parts of the programs?

Mr Walters—We have already agreed to answer that question in the form of the answer on the different incentives, which you have already asked for.

Senator GEORGE CAMPBELL—That will give me a breakdown?

Mr Walters—Yes.

Senator GEORGE CAMPBELL—Is the department of the view that the status of VET in the general community needs to be lifted?

Mr Walters—We strain every nerve—as do the National Training Authority—to do precisely that. The minister has been taking a great deal of time out to stress that there is a prevailing view, which sometimes one sees in the media, that the only pathway for young people that matters is the university one. The minister has repeatedly taken the opportunity to stress that that is not the case and that vocational education and training, particularly New Apprenticeships, represents a very good pathway for young people and also very good opportunities for older people in the work force. It is an interesting fact that in Australia we have the highest rate of participation in post-school education for the over 40s group in the whole of the OECD, and for the 30 to 39 age group we have the second highest rate in the OECD. So we have a particularly strong system both for young people and for older people.

Senator GEORGE CAMPBELL—How much money is spent each year on promotional campaigns on the status of VET?

Mr Walters—We have already dealt with the issue of the marketing campaign for New Apprenticeships that is coming up. There will be an additional \$7 million and, I think from memory, another \$4 million available for Commonwealth New Apprenticeships marketing next year. The National Training Authority has a small budget, which is voted every year by the states and territories, in the region of \$2 million or \$3 million, which is spent on marketing. Beyond that, the states and territories all have a budget of their own for marketing and that is frequently devolved down to the local TAFE. For example, in New South Wales

there is a very large book that is produced every year which lists all the TAFE courses. There is advertising in all of the local media and I think on the radio, in the newspapers and possibly on television. So there is a large amount of advertising which is conducted at state level by the TAFE system and by the private providers. Of course, we do not collect that information centrally.

Senator GEORGE CAMPBELL—Has the department paid for any consultants to develop ideas and campaigns to improve the status of VET?

Mr Walters—The most recent exercise that comes to mind is the one which was conducted by the National Training Authority a couple of years ago, and perhaps Ms Scollay may care to mention that.

Ms Scollay—In 1999-2000, the Australian National Training Authority did a major piece of market research looking at the values and attitudes of Australians to learning. We interviewed and surveyed both a very large segment of the Australian population as individuals and also a small sample of enterprises. Out of that work, we particularly targeted a group of young people who were at risk of dropping out of the system. For several years we ran a marketing campaign called 'It pays to stay,' and that is being continued now by the states and territories.

Senator GEORGE CAMPBELL—What has been done specifically in terms of VET in schools?

Ms Scollay—In relation to marketing?

Senator GEORGE CAMPBELL—In relation to promoting that and in relation to enhancing the capacity of that to deliver outcomes. What has become quite clear—you may or may not be aware—in the process of carrying out this inquiry is that, where there are partnerships between schools and industry, VET in Schools is working very well and seems to be getting very good results. In fact, we have been told by people who have gone through the system that when they commenced an apprenticeship the drop-out rate was fairly negligible. But that is not very uniform across the country. In fact, there are widely different experiences. I wonder to what extent those positive experiences are being taken and used to build a platform for expanding the activities across the rest of the school system.

Ms Scollay—I think that is a good question, in the way you have expressed it to me just then, and we should probably pick that up and do more about it. We have been aware of perceptions of a mixed set of outcomes from VET in Schools. We gave evidence to the VET in Schools inquiry that there is a perception from industry that doing VET in schools is not as good as doing VET in VET. We have had a study undertaken to test that perception on the part of industry, but we do not have the full results of that consultation yet. When we get it we will certainly share it with this committee. Early indications are, from the point of view of quality, audits and complaints, that there is no greater problem in schools than there is in any other part of the VET sector.

It is true that VET in Schools is treated differently across different schools and in different states and territories. Some states have decided that it is better for a lot of young people to get a little bit of experience—a sort of tasting view—and other states have taken the view that they want a smaller number of students to do things in greater depth. It is quite clear that,

where a school has a very good relationship with industry, it is working very well. We also know that in particular schools, where some teachers are really passionate about their particular area and have a lot of expertise in that area, it is working very well.

It gets back, I think, to the issue that I raised earlier. I believe a problem in vocational education and training arises where there is no access to a workplace. We are relying on the quality of simulation to deliver the outcome for the students. That is an area that ANTA is now looking at much more closely, and it applies as well in TAFE as it does in school or with a private provider, where a student cannot find access to the workplace to demonstrate that competence. They are relying on some form of stimulation for that. The issue then becomes: what is the quality of that simulation?

Senator GEORGE CAMPBELL—There seem to be two key issues: one is the industry relationship, so that there is an access point to get into; and the other, which does not appear to be being addressed—and it may be related to the articulation issue and it may not—is the question of the quality of the teachers who are providing the VET in schools and the degree to which they possess the necessary technical skills.

Ms Scollay—I would put it to you that, to meet the requirements of the AQTF, teachers have to have the relevant qualifications or the assessment needs to be done by teachers with the relevant qualifications. If that is not the case, both in terms of teaching qualifications and industry qualifications—the competency for the industry—then they will not meet the requirements of the AQTF. Schools are being audited against those criteria, just the same as any other RTOs are. We are being assured that there is no greater problem in the school sector than there is anywhere else. The standards in the AQTF are being met.

Senator GEORGE CAMPBELL—I must say, that is not necessarily what is being said to us. Perhaps the information is being generated in a form that would be acceptable to different groups. But an issue that has been raised with us is that the quality of the teaching at that level leaves a lot to be desired in some areas. It may be an area that needs to be given a bit more attention.

Ms Scollay—That will be the subject of the research that we are having done, and when we get that report we will pass it on to you.

Senator GEORGE CAMPBELL—When is it likely to be finished?

Ms Scollay—In late July, I believe.

Senator GEORGE CAMPBELL—I have some general questions about literacy and language courses. What does the department do to measure, or what funding does the department give to Job Network providers to measure, the English literacy and language needs of job seekers?

Mr Walters—The department does not fund Job Network providers unless they happen to be also providers for one of our other services. You would need to direct that question to the department of employment.

Senator GEORGE CAMPBELL—I did direct that question to the department of employment and they told me to direct that question to you because you were the ones who ran the literacy and language course.

Mr Walters—We do. I can give you answers for our literacy program, but it is not necessarily directed to the Job Network. That is where I was thrown off balance. If you turn to page 132 of the PBS you will find under output 2.3 that there are two programs of particular interest. One is the Workplace English Language and Literacy program. That is basically the delivery of language and literacy training to the workforce—this is people already employed. It is done for the most part at the workplace through the aegis of the employer. You will see that the funding there is about \$12.5 million.

Senator GEORGE CAMPBELL—I understand that. I do not want to cut across you but I am specifically talking about measures that are provided to job seekers.

Mr Walters—For job seekers? You will see that language, literacy and numeracy training, which is two lines down from that, has estimated actual expenditure of \$35 million this year, rising to \$40 million next year. That is a program which is aimed at job seekers; it is designed primarily for them. It was introduced as part of the mutual obligation suite of programs and it provides a number of different streams of language and literacy training.

Senator GEORGE CAMPBELL—How many job seekers are in need of support in language and literacy skills?

Mr Walters—We had 17,710 participants by 23 May, compared with the 2002-03 target of 16,000. We have exceeded the target this year. The number is 17,710.

Senator GEORGE CAMPBELL—That is what you have done. How does that compare with the demand?

Mr Walters—We have more or less met demand. We have had to slow things down slightly because we are over target but we anticipate that that will not mean more than a few weeks delay in actually meeting the demand. The appropriation rises next year so there will be the ability to take on more job seekers if need be. It is roughly in balance with demand as we know it.

Senator GEORGE CAMPBELL—Can you provide more detailed breakdowns of the cities or regions where there is the most need for language and literacy skill support among job seekers?

Mr Walters—I do not think we could do it in quite those terms. We can certainly give you a breakdown by region or state—

Senator GEORGE CAMPBELL—Can you do it by labour market region?

Mr Walters—of where we have the provision; where we have made the places available. That is roughly in line with our judgment of where the need is going to be.

Senator GEORGE CAMPBELL—Is it your expectation that 17,710 will be the number of people who will take courses this year?

Mr Walters—The target for this year was 16,000 so we have gone over the target already.

Senator GEORGE CAMPBELL—Was there an overspend in the program last year?

Mr Walters—Not last year. In the current year, there will probably be a slight overspend in the program, which we will accommodate by underspends elsewhere in outcome 2.

Senator GEORGE CAMPBELL—I understand for 2003-04 you have allocated more funds.

Mr Walters—Yes, we have. For 2003-04, the appropriation is \$40,702,000 compared with \$34,479,000 for the current year.

Senator GEORGE CAMPBELL—What is the average waiting time for access to these courses?

Mr Walters—It is no more than a few weeks. We have actually increased it a little bit lately because a lot of people will find employment and drop out very early on, so it is worth having a bit of a waiting time to make sure that they are people who really do want the training and are not going to swiftly move on to employment. Obviously it does not do people too much good if they drop out fairly quickly.

Senator GEORGE CAMPBELL—Sure. Can you tell me what was the longest period a person had to wait to undertake the literacy and language course?

Mr Walters—I do not think we would have that information centrally very readily. It would probably be somebody in a remote area for whom it took some time to fix provision up. That would be general across all of our programs. Obviously, if you are looking to make up a class size or something like that, it takes longer in remote areas. Between assessment and referral, we do have a guideline of eight weeks.

Senator GEORGE CAMPBELL—Can you take that on notice?

Mr Walters—I suspect that there is no more information we can provide on that, Senator. Eight weeks is the maximum, and that is what people aim at. In individual cases, it would depend on local Centrelink processes and so on.

Senator GEORGE CAMPBELL—I will just ask you to take it on notice and, if you can provide us with the longest waiting period, I would appreciate it.

Mr Walters—I will take it on notice. If there is any further information we can provide, we shall, of course.

Senator GEORGE CAMPBELL—Do you have any predictions about the average waiting time that might be experienced in 2003-04?

Mr Walters—Ms Cross manages the program. She is the Branch Manager, Quality and Access Branch in VET Group.

Ms Cross—We would expect that literacy and numeracy clients would be referred almost immediately after assessment. For basic language clients, it is a period of four weeks between assessment and training commencing.

Senator GEORGE CAMPBELL—Do you have a feedback process from participants in the courses? Do you ask for feedback from participants who have participated in the courses?

Ms Cross—Not directly, but we do have the usual program monitoring arrangements in place.

Senator GEORGE CAMPBELL—Can you table the results of those monitoring activities?

Ms Cross—Yes, Senator.

Senator GEORGE CAMPBELL—Thank you. I think you might have said it, Mr Walters, but how much funding has been allocated to improve the literacy and numeracy levels of the existing work force?

Mr Walters—That is the WELL program, and this is aside from the fact that part of the mainstream VET provision—quite a lot of it—does in fact consist of basic skills programs. It is worth bearing that in mind. But, leaving that to one side, on the WELL program—Workplace English Language and Literacy—if you look at page 132 under output 2.3, there is \$12,225,000 for this year and, for next year, \$12,484,000. It is roughly around the \$12.5 million level.

Senator GEORGE CAMPBELL—The WELL program is for existing workers, and the language, literacy and numeracy training is for job seekers?

Mr Walters—That is correct. As I say, it is worth bearing in mind that quite a few of the basic level courses provided in the VET system are around literacy issues.

Senator GEORGE CAMPBELL—Mr Walters, why is there no provision in here for young job seekers? Or are they specifically accommodated within the general package?

Mr Walters—The department does have programs for young job seekers. For example, the Jobs Pathway program is an important program for young job seekers, and you might care to ask our Schools Group colleagues about that when they come on Friday.

Senator GEORGE CAMPBELL—Yes, but I am particularly concerned about literacy and language issues. We have had evidence given to us at the inquiry from employers that a lot of young people, virtually coming straight out of school, have deficiencies in literacy, language and numeracy.

Mr Walters—The Language, Literacy and Numeracy Program includes young people. They are eligible.

Senator GEORGE CAMPBELL—But have you had any discussions with the school system about how this issue might be addressed?

Mr Walters—I think you might care to ask our Schools division about that on Friday, because it would be their responsibility. They do have a number of programs aimed at addressing literacy issues, and they can talk to you all about them.

Senator GEORGE CAMPBELL—You do not differentiate, in terms of your packages, between various groups of job seekers?

Mr Walters—Not in this particular respect but, as I say, the Jobs Pathway program, which is run by our schools colleagues, does particularly look at young job seekers and those seeking a transition from school to the work force particularly. That is aimed at that. There are other issues around career advice. There is the career information system called My Future. Our schools department colleagues can talk to you about all of those issues on Friday. I am also reminded that we have the New Apprenticeship Access program, which you will find under output 2.2 on page 132, which has funding of around \$9 million or \$10 million. It is not limited to young job seekers, but a large number of them do it. It is particularly aimed at those

who need a little bit of supplementary education and training to bring them up to the level where they can be considered for an apprenticeship or traineeship. That is the objective of the New Apprenticeship Access program.

Senator GEORGE CAMPBELL—How is that administered? Who administers it?

Mr Walters—That is administered through brokers. The department goes to brokers and the brokers arrange the local courses.

Senator GEORGE CAMPBELL—Thank you. I have no further questions.

Senator JOHNSTON—I want to ask some questions of Ms Scollay with respect to the Australian National Training Authority. Are you aware of the Western Australian group training scheme operating out of the Balga TAFE?

Ms Scollay—Not specifically.

Senator JOHNSTON—It has 155 apprentices.

Ms Scollay—I think Mr Stephens might be able to answer that or perhaps the Commonwealth—

Senator JOHNSTON—It is a registered body with ANTA.

Mr Stephens—I will start by indicating that, yes, we are aware of the scheme. It has been a registered group training company through the arrangements that the Western Australian government have in place for group training organisations. It is an organisation that has been funded over a number of years.

Senator JOHNSTON—How much is that funding?

Mr Stephens—I am not aware of how much has gone specifically to that scheme, but we could take that on notice and follow that up.

Senator JOHNSTON—Could you estimate roughly what you think the funding might be for 155 apprentices?

Mr Stephens—No, I could not at the moment, sorry.

Senator JOHNSTON—Would it be hundreds of thousands of dollars or tens of thousands of dollars?

Mr Stephens—I would have to take that on notice to give you a reasonable estimate. I could not do it off the top of my head.

Senator JOHNSTON—If you would do that, I would be obliged. There is clearly some Commonwealth funding going to the WA group training scheme through ANTA?

Mr Stephens—If it is a program that has been funded under the joint policy program that ANTA is involved in, that would undoubtedly be the case. We fund the joint policy scheme on a matching basis between the state and ANTA—it is a fifty-fifty arrangement.

Senator JOHNSTON—Are you aware of how many other Western Australian training schemes such as this you are funding?

Mr Stephens—I do not have the exact number in front of me, but I am aware that we do fund a number of group training companies through the state in Western Australia.

Senator JOHNSTON—Are you aware of ANTA being approached by the Construction Skills Training Centre in Welshpool to take over the WA group training scheme?

Mr Stephens—No, I am not aware of that approach directly to ANTA.

Senator JOHNSTON—Are you aware of the board of the Construction Skills Training Centre resolving to take over the WA group training scheme?

Mr Stephens—I have seen a press report in the WA papers, I think a number of weeks ago, which outlined a whole range of issues in that scheme. Yes, I think it did mention that in the press report.

Senator JOHNSTON—Are you aware of the findings of the Cole royal commission with respect to the training at the Construction Skills Training Centre? We gave them a million dollars in 1999.

Ms Scollay—I am not aware of that particular case.

Senator JOHNSTON—Do you know that we gave them a million dollars in 1999 and that the Cole royal commission found that that was given on false pretences? Do you know and understand that the Construction Skills Training Centre is run and operated by the CFMEU in Western Australia?

Ms Scollay—I did not know that. My understanding is that ANTA did fund that skills centre in 1998 and I can get you more information about that.

Senator JOHNSTON—Was it to the tune of \$1 million?

Ms Scollay—I will have to get you the exact figure.

Senator JOHNSTON—When you are doing that could I draw your attention to the fact that the commission mentioned that the compulsory training levy and the \$1 million grant from ANTA were based on what is now known to be wrong information used in an application form for revenues to go to the skills training centre but which instead go to the CFMEU. So the money was diverted not into training but into the CFMEU. Less than a third of the money is loaned back to the Construction Skills Training Centre. The CFMEU makes no secret of the fact that it wants the 155 apprentices at the WA group training scheme as a revenue base. Is ANTA not aware of any of this?

Ms Scollay—I am not aware of that particular case, but now that you have drawn it to my attention I will certainly write to the Western Australian State Training Authority and ask them for the detail of the case.

Senator JOHNSTON—Are you aware of their attitude in this matter? They want to see the group training scheme money go to the Welshpool centre of the CFMEU because after the Cole royal commission, this union has a problem with revenue. Is the Commonwealth not aware of any of this?

Mr Walters—These matters have been raised with us by another senator in the last day or so. We really have not had a chance to look at them.

Senator JOHNSTON—But you did not know about it until it was raised?

Mr Walters—This is a matter of funding. It flows through the training authority through the Western Australian government so we are quite at a distance from all of this.

Senator JOHNSTON—So we are happy to allow the Western Australian government to take Commonwealth money and divert it into a training scheme that funds a union?

Dr Harmer—Mr Walters has said that we are at arm's length but he did not say that we were happy if there is something being done with the funds that is not appropriate.

Senator JOHNSTON—Are you going to remain at arm's length in the circumstances of the Cole royal commission with its findings?

Ms Scollay—ANTA certainly will not remain at arm's length. We are aware of another case which we have followed up with the Western Australian State Training Authority to ask them what they intend to do about it. We will certainly do that, now that the case you have given has been brought to our attention. I am not sure whether the issue you are raising is funding for a skills centre or whether it is the joint policy funding of group training which Mr Stephens just highlighted. I need to work through the detail of that. We certainly do pursue the states and territories in terms of what they are doing with Commonwealth money.

Senator JOHNSTON—I thank you for your answer.

Senator NETTLE—I have some questions that relate to funding issues. I would like you to identify some things for me in the Portfolio Budget Statements. Could you explain how much Commonwealth funding goes to three different areas? I am looking at last year and also forward estimates for next year for: first, TAFE and other public providers; second, adult community education; and, third, private providers of vocational education and training.

Mr Walters—You will find the appropriation for vocational education and training on page 132 of the PBS under output 2.1. You will see the top line there is the appropriation, which goes to the states and territories via ANTA under the Vocational Education and Training Funding Act. The money is administered by the states and they determine how much of it goes to the TAFE system, how much of it goes to private providers and whether any of it goes to the ACE sector. So we do not keep that information and I do not think that ANTA do. What we know nationally is that around 85 per cent of that provision, which is publicly funded, comes through the TAFE system, so that would give you an approximate idea. But I do not think, from looking at the National Training Authority, that they would have that information.

Ms Scollay—We would have to take it on notice.

Senator NETTLE—Can we get on notice a breakdown into those three different areas, both for last year and the forward estimates for the coming year. I understand the states administer the money, but clearly the Commonwealth is aware and can get those on notice.

Ms Scollay—Yes.

Senator NETTLE—I would appreciate that.

Mr Walters—You would not have anything in the forward estimates, because of course that depends on the provision that the states make for next year. The amount that flows, for example, into private providers will depend upon the policies that they have in areas like user choice—we know that in and around a number of recent state budgets there have been

changes made. So we would not essentially have any ability to estimate what the effects of that are likely to be at the present stage except to say that they appear to be quite likely to suppress demand, particularly in the areas of private providers.

Ms Scollay—Yes, we would be only be able to do it, as Mr Walters said, on the basis of policy continuity. You could predict, but policy changes, such as on user choice, would certainly affect any projections you might make.

Senator NETTLE—Perhaps to get that sense of policy continuity I could ask you for that breakdown for that last five years. I understand your comment on the forward estimates for next year. You made a comment about the changes in user choice at the state level and that you anticipated that that would impact on demand.

Mr Walters—It is certainly very early to estimate the effect of some of these changes, but what we are hearing from industry groups is that they are likely to depress demand because they will make it more difficult for private providers to access user choice funding in some cases.

Senator NETTLE—I just want to get that clear: your understanding is that these changes in user choice will lead to a decreasing capacity for private providers to access the Commonwealth funding.

Mr Walters—And state funding, I might add. The Commonwealth funds about a third of the system overall, and two-thirds is funded by the states and territories. So the amount that flows out into either the TAFE system or the private providers cannot be distinguished from the source—it all gets mingled.

Senator NETTLE—Yes, I understand that.

Mr Walters—We have seen recently a number of changes around the states to user choice policies and other related policies which will also impact on demand, such as a change in Victoria on payroll tax. We are hearing from industry groups that they expect these combined changes to drive demand down, but of course it is very early days, we do not have all the details of the policy changes and it is a bit difficult to assess the impact.

Senator NETTLE—I appreciate you explaining what you are hearing from the industry groups. Three years ago we had one per cent of hours being taught by private providers; in 2001 we are looking at 12.6 per cent. Looking at the trends, I am a little bit surprised by your comment that we are looking at a decreasing amount of public funding going to the private providers. By my understanding of the trend in hours taught, we are looking at increasing funding to the private providers. Can you explain to me why you believe we are looking at a decrease in funding going to the private providers? Certainly my understanding is that we are looking at an increasing number of private providers coming online and at an increasing percentage of overall public funding going to those private providers.

Mr Walters—In terms of the number of private providers coming online, as you put it, an important change was made last year with the introduction of the Australian Quality Training Framework on 1 July, which has raised the auditing requirements for providers generally. Initial indications we are seeing—and I have heard this, for example, from Queensland—are that as a result the number of private providers has declined. So I would not necessarily

assume that there will be a continued rise in the number of private providers. The amount of money flowing to private providers is basically dependent on the policies which are operated around the states and territories—such as their willingness to fund training which goes through private providers, rather than simply through the TAFE system—combined, of course, with the ones operated by the Commonwealth, such as incentives provided to employers.

Around a number of the states recently we have seen some changes to the rules under which the user choice policy is run, which industry groups are telling us are likely to cut down the ability of employers to access training provided through the user choice system by private providers. As I said, it is very early days, but there have been some significant changes made to the rules on user choice around the states and territories. That is what the industry groups are saying to us.

Senator NETTLE—You just made the comment that obviously the policies of the state government with regard to user choice interact with the policies of the Commonwealth government. You also outlined the Commonwealth policies in relation to incentives for industry provided training and employer provided training. Perhaps you could outline for me any other Commonwealth policies that you think impact on the percentage of funding going to private providers. I would appreciate that.

Mr Walters—There is a whole series of different levers here. It is a bit like driving a car. You have a gas pedal and a brake, you can put your foot on the gas pedal or the brake, and if you try putting it on both at once, you will find that one neutralises the other. As we go through this system, a whole series of changes is being made. For example, the Commonwealth is offering additional funding under the new ANTA Agreement and that will increase the ability of the states and territories to provide training. We estimate there will be something like an extra 71,000 places over the next three years.

At the same time, we have changed our own incentive scheme in order to put slightly less money into commencement payments and more into completion payments, in order to encourage completions. We hope we can balance that out so that it will not depress demand, but it is going to have an impact. Around the states and territories, obviously some money goes straight into base funding for TAFE systems and some is put on the market as contestable funding, both through user choice and through other mechanisms. That is one which would tend to depress things. There is the willingness of employers to take on apprentices and trainees that make up something like 20 or 25 per cent of the market. In Victoria, you have seen the abolition of payroll tax relief. That was a major incentive for employers to take on apprentices and trainees. The government says that it has put in place other incentives, and that there is a new completion incentive which will act as a counterbalance. Some industry groups are saying that it will not have that effect and demand will go down.

So you have what is technically known as chaos theory, but it is organised chaos because we are the government, and therefore it must be organised. Chaos theory means you can have a lot of different things happening at once and you have to assess what the overall impact will be. In terms of user choice and the ability to access private providers, industry groups are telling us that they are concerned and that they think demand will go down.

Senator NETTLE—I might just move on to a comment you made about the ANTA Agreement. I am sorry I do not have all of this information with me. I am wondering if you can tell me about how the amount of proposed growth relates to the period that we have seen where, I understand, in terms of the Commonwealth, we have not seen growth in that ANTA Agreement.

Mr Walters—That is not actually accurate. Under the current agreement, which finishes at the end of this year, there has been \$230 million worth of growth money put into the ANTA Agreement. You might be referring to the period before that—

Senator NETTLE—Yes.

Mr Walters—when we had the previous agreement, which is going back a little bit in history. It was a period where it was called ‘growth through efficiencies’. The states and territories were asked, and they agreed, to produce extra places while funding was held constant in real terms. Under the current agreement—and we are currently in the third year of that—there has been \$230 million worth of extra funding from the Commonwealth. A condition of getting that money has been that the states and territories have had to match it. So they have had to put in an extra \$225 million. When you add the \$225 million to the \$230 million, you get \$455 million—I never could add up—going into the system. That is really quite a substantial amount in terms of the Commonwealth’s contribution, which is about a billion dollars a year. This year, the Commonwealth is putting an extra \$100 million into the system. That is about 10 per cent up on what it was three years ago.

Senator NETTLE—I have a couple of questions about that. Has the Commonwealth department done any modelling of the impact of the ‘growth through efficiencies’ period that you described?

Mr Walters—It delivered in the region of 160,000 extra places—something like that. Ms Scollay might correct me, or if that is substantially wrong I will correct it on the record. It is going back a bit now, so I have forgotten, but it did deliver a fairly large number of extra places.

Senator NETTLE—In terms of the additional funding you talked about in the most recent ANTA Agreement, could you tell me how that relates to increases in real terms or in matching inflation?

Mr Walters—In terms of the current agreement?

Senator NETTLE—No, I need to ask about prior to the ‘growth through efficiencies’ program—the next period. I am sorry, I do not have it with me; I am just working on memory here. It is in terms of the first ANTA Agreement we saw that included growth funding after the ‘growth through efficiencies’ period.

Mr Walters—That is the current agreement. We provided an extra \$225 million in real prices and another \$5 million in indexation. By the way, we also indexed the base funding at the same time, which is around the \$900 million mark. That has been indexed, too.

Senator NETTLE—I have two more questions. I have a copy of the minister’s media release from 13 May, having written to state ministers offering them an additional \$218.7 million between 2004 and 2006. I wonder if you can point out for me where this funding is in

the Portfolio Budget Statements, and, if it is not in the Portfolio Budget Statements, where it is intended it will come from.

Mr Walters—It is included in the Portfolio Budget Statements. If you look at page 132, at the top line, ‘Vocational Education and Training Funding Act 1992’, it is included in that line of figures.

Senator CARR—We have canvassed this at some length on about three occasions now.

Senator NETTLE—Okay. Sorry, I am new to reading these things, so it is useful for me to have the opportunity for you to—

Senator CARR—And he has thoroughly misled you, but do not worry about that. We will go over that again.

Senator NETTLE—Thank you.

Mr Walters—I do not think I quite heard that, Senator!

Senator NETTLE—I just have one more question, which relates to my understanding that the cost for each one per cent increase in student numbers in vocational education and training is \$30 million and that each year the underlying growth demand is approximately six per cent. My question is: where do we expect the additional \$180 million in costs, looking at that increasing demand, to come from?

Mr Walters—The question really revolves around: what additional demand is likely to arise on the system in the period ahead? Some work has been conducted on this particular issue for the National Training Authority by a company called Access Economics. It has come up with a range of variables. At the moment, over the next decade the forecast is that growth will be around 2.7 per cent per annum. Over the next three years, which the ANTA Agreement period it is intended to cover, it averages 2.9 per cent. That is largely frontloaded to next year. For two years after that, the growth is around 1.7 per cent. That is because Access Economics are forecasting a downturn in the building industry, and that has a knock-on effect on training as a whole. In the second and third years of the agreement it comes down to 1.7 per cent. If you look at the Commonwealth’s offer that we have described to you under the ANTA Agreement, in terms of a percentage increase on the Commonwealth’s contribution to current funding, it is around 2.49 per cent per annum.

We are a bit concerned about the Access Economics figures because we do not think they take into account the effects of recent changes around the states in terms of incentive payments and user choice, as I have mentioned. We also have a number of technical issues with them, where we think a couple of figures may have been double counted. But if you take into account, as I said, certainly in the second and third years the Commonwealth’s offer is in front by a considerable margin of what is being forecast as the growth figure. Obviously this is all open to interpretation. The other point is that the system does continue to deliver efficiencies, so it is not necessarily the case that you need to provide additional funding to cover all of the extra places.

Senator NETTLE—I want to check whether my assumption of growth in student numbers, where a one per cent increase cost \$30 million, was the assumption used in the Access Economics costing.

Mr Walters—I would not like to comment on that without having a bit more detail of where it has come from. I do not think there is necessarily a linear relationship between available funding and the number of places. But if it helps, in costing out these 71,000 extra places—roughly, or an equivalent number—that we think will be delivered by the new agreement over the next three years, we have used a unit cost of around \$3,000, except for the places which are earmarked for disability, where we have used a higher figure of \$5,000 because obviously catering for disabled students is more expensive. We gave a breakdown of that to Senator Carr yesterday, so I imagine it will appear on the record.

Senator CARR—I tabled the document, so it is with the secretariat.

Senator NETTLE—You spoke before about efficiency. What measures does the department have in place to ensure that efficiency does not mean a reduction in the quality of provision, a reduction in course offerings and a gross exploitation of TAFE teachers in terms of their working conditions?

Mr Walters—Obviously, the employment of TAFE teachers or indeed of staff by private providers is a matter for the employers themselves, and that varies around the states. Some have very centralised TAFE systems; some have very decentralised TAFE systems. In terms of the quality of the system overall, the Commonwealth has placed a very high priority on increasing quality standards in recent years. So, from last year, we have had the Australian Quality Training Framework, which has had higher auditing standards and a more consistent national approach to quality; we have instituted the National Training Quality Council, which is a committee of the National Training Authority, which oversees all aspects of quality; and, in general, we have done everything possible to increase quality standards around the system. Under the new ANTA Agreement, we have asked the states and territories to make quality one of the two highest priorities in addressing the new ANTA Agreement and accepting the money that is on offer. The other priority is skill shortages. So our two top priorities are quality and skill shortages.

Senator NETTLE—When you say you have asked the states to put a top priority on quality, what flows on from that? Is there any Commonwealth involvement in ensuring that that takes place or has been taken up by the states. Also, in what way is there an expectation by the Commonwealth of seeing the states making quality their priority?

Mr Walters—For example, one thing we have done is propose that there be model clauses so that the whole legislative basis on which training provision is regulated and audited can be put on a standard national basis. Everything could then operate to the higher standards introduced by the Australian Training Quality Framework, which came into effect last year. The model clauses will be introduced by the states and territories by 1 July next year and progress on that is being monitored by the National Training Authority. Model clauses do not sound like very much but, in fact, they amount to a substantial piece of legislation which is going to be enacted by the states and territories. Please bear in mind that quality within the training system is a matter for the states and territories. It is the states and territories that both regulate training providers and own and run the TAFEs, which are the major training providers. Through the ANTA Agreement, we have said, from the Commonwealth's point of view, 'We are putting in \$3.6 billion for this over the next three years; quality has got to be a top issue. Please get the model clauses in place and work with us through the National

Training Quality Council’—which is chaired by a member of the ANTA board. We are constructing under the aegis of the training authority a comprehensive risk management framework, so we will look at all the risks in the system to quality and try to address them. That process is still going through.

Senator NETTLE—Thank you very much, Mr Walters.

CHAIR—I will ask a question on adult education. Since the Commonwealth has become involved in adult education—following this committee’s landmark report in the early nineties—I would like to catch up on where the Commonwealth involvement is up to on a number of measures. I would like to know what staffing is involved, what the budget is and what aspects of adult education the Commonwealth is involved in at this point in time. You may wish to answer that now or take some of that on notice.

Mr Walters—As you know, that is a complex issue and it encompasses both the higher education and the VET parts of the department. The broad picture that the country faces is that we come top of all the OECD countries in terms of participation in education by people over the age of 40. For people between the ages of 30 and 39 we come second. So we have a world-leading position in terms of adult education. In terms of the programs that we operate, most affect older people as well as younger people, and we have quite high participation rates in programs like WELL. We have introduced a new mature age incentive in the New Apprenticeship Access program and in general we have been participating in lots of cross-government work to look at further ways of developing policies on mature age people—given the demographic situation that the country faces with an ageing population and a need to make greater use of, and encourage greater participation by, older people in the workforce. It is a very complex picture, but that may give you a brief snapshot. If there are any particular issues you are interested in, Senator, I will take them on board.

I am also reminded that we recently introduced a program called BITES, which is proving very successful. It is about basic IT skills for older workers. It was an election commitment of the present government and it was introduced last year. You will find the appropriation line in output 2.3 on page 132. It is called ‘Improving IT skills for older workers’. That is about \$6 million a year. The initial feedback we have had on that has been very enthusiastic. I might be able to give you some of the feedback in a second if I can find it, and if you are interested. The objective of the scheme has been to enable older people—and that is people 45 years and over, which is a very good club to belong to—

CHAIR—That is a very young older group, isn’t it?

Mr Walters—The scheme’s objective, over four years, is to provide 46,000 mature age people with up to \$500 worth of training to obtain basic skills in computers and IT. To date over 4,000 older Australians have successfully participated in it and high success rates are being achieved—with better than 95 percent of participants, on completing the course, achieving the prescribed competencies. Feedback from attendees has been overwhelmingly positive, with comments like, ‘This is the best course that I have ever done,’ and, ‘A relaxed atmosphere to learn in and great to be amongst similar aged people.’

CHAIR—Given that it is such a diverse sector and it is largely state and regionally controlled, has any mapping exercise been undertaken on what is happening in adult education in the country as a whole, or is that done at a state level?

Mr Walters—We keep in close touch with Adult Learning Australia, who keep a close interest in this. In terms of mapping, we have student statistics for VET which show that a very large number of older people participate in vocational education and training and in higher education. A very large number of older people undertake degrees and diplomas in higher education institutions.

CHAIR—Do you know whether anyone tracks things like participation within community based things like WEA?

Mr Walters—In terms of the adult and community education sector, there is an annual volume published by the National Centre for Vocational Education and Training which summarises all the statistics on that sector. We can easily supply a copy.

CHAIR—Yes, if you could. What is our total Commonwealth budget in this area?

Mr Walters—To get that you would have to take the higher education budget and the VET budget and then you would have to look at the number of students in both sectors and divide them up. The adult and community education sector is mainly funded by the states and territories, so direct Commonwealth funding is restricted to a grant that we give to adult literacy week. Occasionally we have other projects with organisations.

Senator CARR—You should put that in the ANTA Agreement among the list of things that the states can report on: Commonwealth funding in this area would be a good little table.

Mr Walters—The senator reminds me, and I am very grateful to him, that this is also an issue which we have identified as being a priority area under the ANTA Agreement.

CHAIR—Following our report, there was a part of the department established to oversee, I suppose, Commonwealth involvement in the ACE sector. Do we still have such a body, and how many staff are employed?

Mr Walters—Miss Cross has a section head who, as well as running the WELL program, devotes a good deal of her time to keeping a good liaison with Adult Learning Australia and other organisations active in that field. She has been doing it for a number of years and is very familiar with all of those people and keeps the minister well posted on developments in the sector.

Senator CARR—Part of our job as a committee is to review the PBS and its presentation. I am just interested to see that, in the performance measurements listed in table 2.3 on page 86 of the PBS, under ‘Employer satisfaction with VET’, the figure is 80 per cent. It just strikes me that it may well be argued that these tables are presented in a rather arbitrary manner. Could you tell me about the three out years, which are all at 80 per cent, and how you arrived at that?

Mr Walters—The figures come from the NCVET employer survey.

Senator CARR—Is that a satisfaction survey?

Mr Walters—Yes. That is the actual figure for 2001-02. It is a pretty high level.

Senator CARR—What I am interested to know is: what was the target? That is what you achieved, so what was the target?

Mr Walters—We are giving the targets for the out years there. I rather assumed, but without having the old one in front of me, that that is what we set for the current year too. If you are suggesting that there is a deficiency in the format in that we do not give the target for the current year, then you might have a point there.

Senator CARR—Why was it not 100 per cent?

Mr Walters—It would be lovely to achieve 100 per cent—

Senator CARR—Why wasn't the target 100 per cent? A great department of state like this would surely have a target of 100 per cent satisfaction. You do not deliberately go out to have 20 per cent of your groups dissatisfied with you, do you? Do you reprimand people if you have too many people satisfied?

Dr Harmer—We do not, but we also would be highly criticised if we had a target that was unrealistic. It would raise cynicism.

Senator CARR—All right. It has not changed in the out years. So there is no improvement proposed in this department?

Mr Walters—It is a pretty high level. We must bear in mind that, in trying to give broad performance measures for the system, you are actually measuring the performance of the TAFEs, the private providers and the state training authorities—a myriad different agencies. Most of them are out of the direct control of the department. It is really an attempt to give parliament a general picture of how the system as a whole is operating.

Senator CARR—I would say it was extremely general, wouldn't you?

Mr Walters—I would have thought that that was a pretty high level of satisfaction to achieve.

Senator CARR—It is. I am just interested.

Dr Harmer—You raise a useful point. We will have a look at it.

Senator CARR—Okay. Further on there is the issue of completion rates, and there is no ideal target there. Why shouldn't it be 100 per cent? There is no question about whether it improves or decreases. It just strikes me as a rather meaningless presentation of the statistics. What I really do enjoy, though, is the policy advice to the minister. What is your recommendation for us there? Ninety per cent satisfaction! How do we get to that? Again, do we punish people that manage to satisfy the minister 100 per cent because it is over the target? Where do we fit? Why isn't it 100 per cent satisfaction with the department?

Dr Harmer—It is the same answer as before. We try to be realistic, and 90 per cent is a good figure. I think we should probably aim for higher, but 100 per cent would raise a great deal of cynicism.

Senator CARR—I just wonder what is so magical about 90 per cent? How did you derive the figure of 90 per cent satisfaction with the department? Was there a survey done of ministers? Was there a long search through the records to establish whether or not ministers in the past have had satisfaction rates of 90 per cent?

Dr Harmer—I do not know the answer to that in regard to the portfolio, but I would think 90 per cent is a high figure.

Senator CARR—Thank you. Do you actually have someone in the department that writes these things up and has a special task to make sure that they are as obscure as possible? What is the performance measurement on that?

Dr Harmer—Senator, we certainly do not have someone in the department whose responsibility it is to make things as obscure as possible. We do have people in the department who have responsibility for bringing them together, and some of your points are useful for us as we put together the next ones.

Senator CARR—I must say, it is not just the department. In the tables on page 163, ‘Trends in operational costs’ and ‘Administered funds’, the performance data there does seem to me a bit obscure. It may not appear to be a big deal, but I suggest to you that there is no point in putting these together if they just produce nonsense.

Dr Harmer—Agreed.

CHAIR—Thank you, and I thank the officers for appearing. Before you depart, I would like to particularly thank Ms Moira Scollay for her work with this committee over the last few years. Your professionalism and your ability to sustain the ANTA position has been very much appreciated by this committee. Thank you for your work.

Senator CARR—I support those remarks. As we saw with Paul Byrne’s departure, I think that there is a changing of the guard at ANTA. I would just acknowledge the enormous contribution, Ms Scollay, you have made to the vocational education system in the time you have been with ANTA. While we often have a robust discussion across this table, I have come to sincerely appreciate the manner in which you have dealt with the committee, the way in which you have tried to answer the questions and, in fact, the competence with which you have administered the authority. Perhaps I will move formally at the relevant point that, as we did with Mr Byrne, we record that in the normal way.

Ms Scollay—Thank you very much.

CHAIR—Thank you, Senator Carr.

Dr Harmer—If it is appropriate, could I just record the department’s thanks for Moira Scollay’s work with us as well. It has been a very good partnership. Just before we break from VET, we have a couple of answers that we took on notice yesterday that I would like to finalise before we leave.

Mr Walters—There is the information that the senator was asking for yesterday about the Language, Literacy and Numeracy program, arising from the comment about growth in the PBS. There is also a question on notice from last time for which we are able to table the answer. I apologise that we have not done that before. It required some extra analysis, which ANTA has done with the ABS, and it is about the breakdown in unmet demand figures, so it is quite an interesting one.

Senator CARR—Thank you very much. I appreciate that.

CHAIR—That concludes matters relating to VET and ANTA.

Proceedings suspended from 10.53 a.m. to 11.10 a.m.**Australian Research Council**

Senator CARR—Welcome, Professor Sara. Could I begin by asking you about the funding of the chief investigator's salary. This is a proposition that you argued for in your submission to the Crossroads review, was it not?

Prof. Sara—Yes. The ARC put in a submission to the Crossroads review, and that submission examined the improvements which could be made to the research funding in higher education. The model that we put forward proposed that research funding agencies paid through competitive processes the full direct costs of that research, and that includes the project costs, the chief investigator salaries and the project specific infrastructure.

Senator CARR—That was a broader role than what you ended up with in this budget process. Is that right? Your submission argued for a broader role than there ended up being from the budget process.

Prof. Sara—No. Our submission was a public submission to the review. I do not understand how it ended up in the budget process.

Senator CARR—The proposition that you advanced in your document, was it not, was for the funding of both the chief investigator's salary and the associated infrastructure? Is that right?

Prof. Sara—That was the model that the ARC believe would provide the maximum outcomes from research investment by the government.

Senator CARR—That was the proposition that was advanced in this submission of July 2002.

Prof. Sara—I believe it was July 2002.

Senator CARR—What did you end up actually having funding for?

Prof. Sara—In this year's budget?

Senator CARR—This year's budget.

Prof. Sara—We had a continued increase according to the BAA commitment and we had the out-year commitment met for 2006-07.

Senator CARR—How much was allocated in that funding for the chief investigators' salaries?

Prof. Sara—At this point in time, nothing.

Senator CARR—What was the cost of undertaking that additional responsibility?

Prof. Sara—The statement in *Backing Australia's Future* was that the minister would provide a direction to the ARC to fund some of the chief investigators' salaries in some of the programs. The situation at the current time is that the minister has yet to send that direction and the board has not been able to consider how that would be addressed with respect to which CI salaries and which programs.

Senator CARR—I read in the *Financial Review* that the figure of \$47 million had been allocated against that responsibility. Would you agree with that figure?

Prof. Sara—I will explain: \$47 million is the figure provided in our submission; \$47 million was the cost of all the CIs' salaries in the year 2002 grants. I repeat that the direction will be some of those salaries in some of the programs.

Senator CARR—What is the cost of this particular direction? What is the financial implication?

Prof. Sara—Options have not been discussed with the minister or the board at this point in time.

Senator CARR—I see. The figure of \$47 million that appeared in the *Financial Review* on 23 May: was that inaccurate?

Prof. Sara—Forty-seven million dollars is the accurate figure for the total CI salary cost in the year 2002. It would be approximately the same this year as well. But it is the total cost.

Senator CARR—You must have had some budgetary estimates prepared on this. What have you calculated would be the cost of implementing this direction?

Prof. Sara—It depends. We do not have budget estimates prepared. There is a lot of modelling which has to be done in order to balance the changes in the programs against funding some of the salaries in some of those programs.

Senator CARR—When will you have that information?

Prof. Sara—It will be presented to the board on 16 and 17 July for their consideration and their recommendations to the minister.

Senator CARR—Does it surprise you that the minister would be making a statement like this in the budget and not have the costings prepared?

Prof. Sara—It does not surprise me.

Senator CARR—That does not surprise you. What, you find this happens all the time? Is it unusual that such a set of circumstances would arise?

Prof. Sara—I do not think I can comment on that. Certainly, the ARC has not prepared any budget modelling on this issue at this point in time. We have not yet received a direction and we have the board meeting in the middle of July.

Senator CARR—So I should ask the department about the costings, should I?

Prof. Sara—If they have costings, they were done without the knowledge of the ARC.

Senator CARR—I will write a note here so I will not forget that advice. You also say here that you:

... welcomed the move to broaden the ARC'S responsibility for research funding, claiming it would reduce the requirement for universities to divert funds from other activities.

How will that happen?

Prof. Sara—I can only repeat that the ARC has a very strong view that the optimal research outcomes for this country can be achieved if there is a transparent method of funding research where the direct research funds are provided through the agency.

Senator CARR—This is a very interesting article. You said that:

... the number of projects it funded, centres of excellence it established, or research networks it developed would have to suffer.

Is that right?

Prof. Sara—We have a constant pot of money, if you will, and that money, including the increase due to Backing Australia's Ability, has been committed to address BAA initiatives. Therefore, in order to take on an additional initiative, such as paying some of the CI salaries in some of the programs, we will have to readdress our programs and some of the new initiatives.

Senator CARR—You said, though, that in readdressing these funding commitments:

We won't just spread it thinner—that is not the way to go.

That was in direct quotes so I presume you said that.

Prof. Sara—I did, and I stand by that.

Senator CARR—Will that mean that the number of grants that the ARC actually awards will decline?

Prof. Sara—Possibly that will be the case. Again, we have to model the various options. One option is to balance between the current programs and the new initiative programs, such as the centres and the research networks. On the other hand, in all of our programs the balance is always between success rates and the size of the grants. My personal belief is that we should fully fund research to get the best outcomes.

Senator CARR—Let us take the strike rate of the large Discovery grants. What is it, 25 per cent now?

Prof. Sara—It is 25.8 per cent, I believe.

Senator CARR—It has been growing in recent years. Is that correct?

Prof. Sara—Yes. The initial success rate was 20.1 per cent in 2001. That was the first year of the scheme.

Senator CARR—That was the first scheme of the Discovery grants. Prior to that it was a similar grant scheme, which had a success rate lower than that—is that true?

Prof. Sara—No, it is not, because the success rate prior to 2001 was for large grants. We included in Discovery large grants and fellowships, so it is really impossible to compare them—it is oranges and apples.

Senator CARR—What was the strike rate on the large grants?

Prof. Sara—In large grants it was close to 20 per cent—that is my memory. I do not have the figures; I am happy to provide them.

Senator CARR—Thank you.

Prof. Sara—I would like to make the point that it is a comparison of apples and oranges.

Senator CARR—I know the point, but can you compare the large grants programs from 2001 back to 1997 for me?

Prof. Sara—Of course.

Senator CARR—Is it likely, given that you have acknowledged the possibility of having less grants, that the strike rate will have to go down?

Prof. Sara—It really does depend. This is why I am saying that it is very difficult to answer your questions until the modelling is done and considered by the board on 16 and 17 July, and that advice is provided to the minister. It is a balance. I would like to say that the national competitive grants program consists of interrelated grants. Whilst you are concentrating on Discovery—which started with a 21.1 per cent success rate in 2001 and went up to 25.8 per cent in 2003—there are other programs such as Linkage, which has a success rate of approximately one in two. There are also centres programs and the new initiative of the research networks. It will be a matter of modelling the changes that paying some CI salaries in some of those will induce.

Senator CARR—The Discovery grants are in fact the premier grants program?

Prof. Sara—It depends what you mean by premier program. The Discovery grants are the basis for building individuals and teams in blue sky research.

Senator CARR—That is right. What is their average size?

Prof. Sara—Their average size has increased. In 2001 it was \$178,581. It increased to \$251,007 in 2003.

Senator CARR—That is what I am saying: they are the large grants for individual researchers.

Prof. Sara—These are for individuals or for teams of researchers.

Senator CARR—Yes, but they are the prize grants that people look for, aren't they?

Prof. Sara—I think our centres of excellence are the prize grants at the moment.

Senator CARR—There are not too many of those, though, are there?

Prof. Sara—In the last 12 to 18 months we have established 11 centres of excellence.

Senator CARR—I will talk to you about those in a moment. Was there a recent review undertaken by the department with regard to the large grants schemes?

Prof. Sara—Not that I or my colleagues are aware. There was a review of the biological science grants, which was undertaken in the late 1990s.

Senator CARR—No, it was more recent than that. I ask you to take on notice whether you are aware of any international or domestic research that suggests that where the likelihood of winning a grant drops below 40 per cent the best people tend to drop out of the process.

Prof. Sara—I can answer that now, if you will. Below twenty per cent is considered to be a success rate which dissuades, particularly young researchers, from applying for grants.

Senator CARR—So you would agree with that sort of assessment?

Prof. Sara—Absolutely.

Senator CARR—My office has been good enough to draw this to my attention and to put it right in front of me: the review was the *Funding of the nation's research base: an evaluation of the Australian Research Council's large grants scheme—final report* by Dr Lyn Grigg. Are you aware of that report?

Prof. Sara—That was done in conjunction with the ARC through the research evaluation program in the late nineties. I do recall that the examination of the large grants was from 1993 to 1996—that is my memory.

Senator CARR—For the discipline years of 1995 to 1997, it actually says under heading 2.3, Demand for the scheme:

Allocations of funding have consistently failed to keep up with demand, with a success rate around 21% being common over the last 8 years. International evidence suggests that once the success rate for a granting scheme falls much below 40%, the best researchers are inclined to quit. Very low success rates also discourage new researchers from applying to the ARC, and evidence from other studies suggests that it forces such researchers to look to industry for funding too early in their academic careers.

Prof. Sara—Yes.

Senator CARR—Do you think that is still valid?

Prof. Sara—I absolutely do. That was part of the rationale used in arguing for additional funding for the ARC through Backing Australia's Ability.

Senator CARR—In that context, if government is now requiring you to take measures which would see a drop in the strike rate, do you not think it is undermining the objectives of the ARC program?

Prof. Sara—I can only repeat that we are currently at a success rate of over 25 per cent and we need to balance the success rate in the various programs. It is important to keep those success rates at a reasonable level.

Senator CARR—Yes, but the 40 per cent figure is nowhere near being met at the moment and you are actually being asked to undertake measures that may well lead to it declining, not increasing.

Prof. Sara—I am sorry but I must have misunderstood you. The level that I am aware of from the OECD studies is 20 per cent, not 40 per cent.

Senator CARR—It says 40 per cent.

Prof. Sara—I think that is unrealistic, so I would like to change my comment. In the OECD figures that I am very aware of, it is 20 per cent. A 40 per cent success rate has been rarely achieved by sister agencies like ours in other countries.

Senator CARR—So you do not think that this report is realistic?

Prof. Sara—I did not say that at all. It is an old report. The figure that I am aware of currently is 20 per cent. If you look at the other agencies such as the National Science Foundation, the UK funding councils and the German DFG, you will find that success rates are sitting between about 20 and 33 per cent.

Senator CARR—The report clearly refers to events in 1999. I am sorry, but this is quite a recent report. It refers to the grant guidelines for 1999. Obviously I need to check the date on this but it strikes me that this may well be published in either 1999 or 2000.

Prof. Sara—It was definitely not published in 2000. To my recollection it is a late 90s report. I am aware of the report; the ARC was involved in it.

Senator CARR—Did you tell the department at the time that the report was unrealistic?

Prof. Sara—I did not say that it was an unrealistic report. I simply said that the current figures on success rates and dissuading young researchers sit at around 20 per cent.

Senator CARR—Do you think the ARC should have greater influence over the distribution of grants?

Prof. Sara—In what respect?

Senator CARR—In terms of providing a more competitive framework for grant applications and distributions.

Prof. Sara—We provide a completely competitive process at the moment—

Senator CARR—Your submission to the Crossroads process actually said that there was a dual system. In your submission, you then went on to say you thought that there should be a much higher level of competitive funding. You said the introduction of a single contestable funding scheme for university research should be phased in. Do you still hold that view?

Prof. Sara—Yes.

Senator CARR—So you think a single contestable funding scheme would be the best way to go?

Prof. Sara—Yes.

Senator CARR—Do you think it needs to be phased in?

Prof. Sara—I think with anything that brings about change one has to be careful of perturbations, and therefore it should be phased in.

Senator CARR—Do you believe that the model could be implemented by 2005?

Prof. Sara—This was done in 2002, so we are talking about a three-year phasing in.

Senator CARR—So you think you could move to a fully contestable funding scheme in three years?

Prof. Sara—I believe that would be possible. The details would have to be worked out. There are a lot of details still to be worked out. This was a submission of a proposed model for optimising research investment in Australia.

Senator CARR—Do you think it is still possible to achieve that?

Prof. Sara—No, but it happens to be something that the ARC believes in.

Senator CARR—And you think it would take about three years to set it up?

Prof. Sara—It would depend on the details of how it was done.

Senator CARR—The reference on page 9 of the paper is to:

... a framework for research in which all Commonwealth funding is either competitive or performance-based.

Do you think that could be put together in three years?

Prof. Sara—I think it would depend on the breadth of those funding systems and on details of those funding systems. I would not commit to any out year at this point in time.

Senator CARR—It does say here ‘all Commonwealth funding’. Maybe you can tell me if I have misunderstood something, but ‘all’ tends to involve all funding, doesn’t it?

Prof. Sara—As I said, the ARC and NHMRC are competitive processes.

Senator CARR—But, at the moment, as your submission points out, there is a significant proportion of funds allocated through block grants. That is right, isn’t it?

Prof. Sara—That is absolutely true.

Senator CARR—In fact, 61 per cent of research funding is allocated through block grants. But the proposal that is outlined in that document seems to suggest that that is going to change. Do you think it would take three years to have all Commonwealth funding allocated on the competitive and performance based arrangement?

Prof. Sara—It currently is not government policy to adopt the ARC’s submission to the higher education review.

Senator CARR—Can you repeat that, please?

Prof. Sara—It is not government policy to adopt what we proposed here. It is a proposal.

Senator CARR—I am saying that what is written on page 9 of this document implies that your policy has been adopted.

Prof. Sara—Not at all, Senator. On page 9, it says:

... a framework for research in which all Commonwealth funding is either competitive or performance-based.

‘either competitive or performance based’.

Senator CARR—What is the distinction there? Are you saying the block grants are not performance based?

Prof. Sara—I am not saying anything about the block grants.

Senator CARR—Wouldn’t that mean the block grants would have to be allocated on different means?

Prof. Sara—They would have to be allocated either on a competitive means or on a performance basis, according to this.

Senator CARR—Which are they at the moment?

Prof. Sara—They certainly are not competitive.

Senator CARR—Are they performance based?

Prof. Sara—Part of it is.

Senator CARR—There would have to be substantial changes for the allocation of block grant research funding as it currently is to meet that criteria, wouldn't there?

Prof. Sara—The government has set up a number of review committees currently to look at those funding mechanisms.

Senator CARR—It would appear, though, that it has pre-empted that review committee procedures by announcing its policy in advance.

Prof. Sara—I do not believe by saying it could be either competitive or performance based, it has.

Senator CARR—In regard to the capacity of the ARC to actually administer funds for research in universities, what do you think you will be capable of doing? Do you think you can handle all the funding? Do you have the capacity to administer all the funding for research?

Prof. Sara—The ARC has the capacity to handle the competitive funding for research as it currently is.

Senator CARR—That is about all, is it? Do you think you have the capacity to broaden the responsibility? Would you have to expand the ARC to do that?

Prof. Sara—I would imagine, if the ARC or any organisation took on additional responsibilities, they would have to look at the operating costs in the staffing of those organisations.

Senator CARR—So you have no plans to expand the ARC at the moment.

Prof. Sara—I have no plans to expand the ARC. I am not aware of anyone else's plans to expand the ARC.

Senator CARR—In terms of the expansion of Backing Australia's Ability money for another year to 2006, did you threaten to go public if you did not secure that initiative in the budget process?

Prof. Sara—About what? What would I go public about?

Senator CARR—Complaining about the fact that Backing Australia's Ability is coming to a cliff and that it will fall off at the end of the forward estimates?

Prof. Sara—Certainly not. I would not have anything to go public about.

Senator CARR—So you made no threats to the minister that you would find it necessary to make a public statement if you did not secure that commitment to extend Backing Australia's Ability within this budget framework?

Prof. Sara—I think it would impudent for me to threaten the minister.

Senator CARR—So you made no threats of that type?

Prof. Sara—Not at all.

Senator CARR—You did not threaten anyone in the department to that effect?

Prof. Sara—I did not threaten anyone in the department.

Senator CARR—With regard to the review into the public research agencies, I am surprised that no-one is on the steering committee. Was that a matter of disappointment to you?

Prof. Sara—The one looking at coordination—is that the one you are referring to?

Senator CARR—No, it is the McGauchie review.

Prof. Sara—I do not think it would have been appropriate for the ARC to be on that committee.

Senator CARR—You do not think it is appropriate at all for you to be involved in that—after all, it is about finding ways in which the universities and the public research agencies can work more closely together; in fact, some say to integrate their activities more.

Prof. Sara—I believe, as the ARC may possibly be involved in one way or another, it is not appropriate. A committee of high-level individuals has been set up to examine the issues. The ARC would be making submissions, however, to that committee, as would other organisations.

Senator CARR—The ARC Act requires you to provide the minister with high-quality advice about matters relating to research. Do you think the fact that you are not on this particular committee will restrict your capacity to do that?

Prof. Sara—I do not see it as a matter of restricting our capacity. That would be a matter for the board to determine if they wish to provide advice to the minister. As I said, we would be putting in a submission to that committee, which the board would also examine and approve.

Senator CARR—It is the leading research granting agency within the universities. I wonder whether or not you think it is probably more appropriate that you play a central role in such a significant review.

Prof. Sara—If any outcome from that committee were to affect the ARC—and that is a possibility—then I think it is more appropriate for us not to be involved as we may have conflicts of interest.

Senator CARR—I see, unlike the others on the committee that have actually argued for a break-up of CSIRO and other such things. You do not think they have a conflict of interest?

Prof. Sara—I would dispute that the others on the committee would necessarily take the line that you propose.

Senator CARR—You do not think the submission that Professor Millicent Poole put to Crossroads would do that?

Prof. Sara—Yes, I have seen that.

Senator CARR—You do not think that provides a certain conflict of interest insofar as she has already stated of you as to what should happen to CSIRO funding?

Prof. Sara—I think Professor Poole is a significant figure in higher education and has made enormous contributions to higher education and would make her own personal contribution in that capacity, which is quite significant.

Senator CARR—So she signed that submission to the Crossroads review just as vice-chancellor and it did not reflect her personal views. Is that what you are suggesting?

Prof. Sara—I am not suggesting that at all. I believe that Professor Poole has the ability to take the broad national view of research coordination.

Senator CARR—So she could change her mind, for instance, I suppose, you are saying?

Prof. Sara—I believe that Professor Poole would examine the evidence put in front of her and would make a logical and coherent decision.

Senator CARR—She has not prejudged it in your judgment?

Prof. Sara—I do not believe that Professor Poole would, nor do I believe any of the other committee members would.

Senator CARR—Were you consulted about the make-up of the committee?

Prof. Sara—No, I was not.

Senator CARR—The terms of reference?

Prof. Sara—No.

Senator CARR—When I say ‘you’, I am talking about the ARC.

Prof. Sara—Of course.

Senator CARR—How many people on the review panel would you regard as having a significant contemporary track record in research? I can see Professor Corey—

Prof. Sara—Professor Corey.

Senator CARR—She is a Fellow of the Royal Society. You would have to say that that would meet that criterion.

Prof. Sara—Professor Corey and Professor Hoj have an excellent track records in research. I do not know Professor Sir Graeme Davies, but he has done a lot of work with the UK funding councils.

Senator CARR—How many of the five reviews that are currently being conducted by the department into research funding is the ARC represented on?

Prof. Sara—It is likely we will only be represented on one of those committees, that relating to major research infrastructure. I had discussions with the department earlier this week concerning our role in submissions or participation. My understanding at this stage is that we will have a nominee on the infrastructure report. We may have one on knowledge and innovation, but I am not clear on that yet.

Senator CARR—The evaluations of the Research Council’s grants program are due every five years, are they not?

Prof. Sara—Yes.

Senator CARR—Have you begun discussions with the department about the next review?

Prof. Sara—No, not with the department. We really do not have a need to begin discussions with the department. Certainly within the ARC we have begun discussions. One

of the actions in our strategic plan is to initiate reviews of the ARC programs. They have only been running now for three years but it is time to plan for those reviews.

Senator CARR—So you are just beginning the process?

Prof. Sara—Yes. As far as ARC membership on the committees is concerned, I should also point that Tim Besley, the Chair of the ARC, is a member of the Mapping Reference Group.

Senator CARR—So that is two committees that you have an association with.

Prof. Sara—The mapping exercise was not mentioned in *Backing Australia's Future*. As you know, it was earlier than that.

Senator CARR—There are five currently under way. That is what I said.

Prof. Sara—Yes. Tim Besley is on the mapping exercise.

Senator CARR—In regard to the research review which is looking at alternative funding models, including access by public research agencies to research funding provided by the ARC and the NHMRC, have there been any discussions about access to those grants programs by CSIRO?

Prof. Sara—I am not aware of any discussions among those committees.

Senator CARR—That is the terms of reference of the current review.

Prof. Sara—The terms of reference I am aware of.

Senator CARR—But you have not had any recent discussions with CSIRO concerning having access to ARC grants programs?

Prof. Sara—No, I have not. But as you will note, and as we have discussed earlier, in the higher education submission from the ARC we do mention that it would be possible to bring competitive processes into play in other currently block funded organisations. We use the example that, just as medical research institutes have been de-blocked as a result of the Wills review and are now going through competitive NHMRC and ARC processes, we have brought in the Institute of Advanced Studies into competitive processes. There are precedents and mechanisms in place to do so.

Senator CARR—The ANU had a similar process with the Institute of Advanced Studies. There was, of course, a condition of that arrangement, and that was the buy-in. Is it still your view that a condition of access to ARC grants is that there be a buy-in proposal accepted by the newcomers?

Prof. Sara—Yes.

Senator CARR—In regard to the CSIRO, what do you think a reasonable buy-in figure would be?

Prof. Sara—I think that would have to be determined. If the government wished to go that way then there would have to be a lot of negotiations, calculations and modelling to determine what that was. In the case of the IAS, it was 20 per cent of their block funding. In the case of the medical research institutes, the entire Commonwealth funding was de-blocked.

Senator CARR—So the range would be open if such a proposal were to be advanced?

Prof. Sara—I am simply saying that there are two examples which have worked effectively.

Senator CARR—So it is possible for the whole funding block to be removed?

Prof. Sara—The medical research institutes have been de-blocked in such a way.

Senator CARR—I notice that on your web site there is a provision that the ARC's preferred method of employment is through an Australian workplace agreement. How long have you been posting that?

Prof. Sara—I am not sure how long it has been on the web site.

Mr Marsden—It would have been there since late last calendar year—probably about November, I suspect.

Senator CARR—Was that a result of direction from anyone else, or was that a decision you made?

Prof. Sara—No, it was a decision made within the ARC.

Senator CARR—At board level?

Prof. Sara—No. It is an operational issue for the ARC and the senior management team of the ARC.

Senator CARR—So it is not government policy or anything?

Senator Alston—It is certainly not contrary to government policy.

Prof. Sara—It is a decision that was made within the management of the ARC.

Senator CARR—Given that only five per cent of the Australian Public Service are using AWAs, why do you have a proposition that says that your preferred method of employment is an AWA?

Prof. Sara—The reason we do that is that we offer AWAs to our staff. Previously, as you know, many of our staff belonged to DEST or DETYA at the time and in that situation AWAs were offered to the SES and EL2s. We felt that was unfair and we were able then to offer to all staff the possibility of taking an AWA if they wished.

Senator CARR—What percentage of staff has been recruited through an AWA?

Mr Marsden—Currently it is about 37 per cent of non-SES staff.

Senator CARR—It is extremely high by Public Service standards, isn't it?

Mr Marsden—I would imagine that is probably more the nature of the ARC being a small organisation. People work much more closely with the managers in a small organisation, so change can sometimes be more readily accepted.

Senator CARR—Would a person that was considering a position within the ARC be rejected if they were not prepared to sign an AWA?

Mr Marsden—No. When we first released that policy to all staff we made it clear that it is just a secondary criterion. Being a secondary criterion, the only time it would come into play is if we had two applicants who were identical in the panel's assessment of their abilities, their references and everything else, which would be very rare. It has not come into play to date

and I cannot envisage two identical people ever coming into that situation where we would use that as a criterion. It is not a primary criterion for selection of staff.

Senator CARR—Has anyone been refused employment because they would not sign an AWA?

Mr Marsden—No.

Senator CARR—How many SES officers are in the ARC at the moment?

Mr Marsden—Eight.

Senator CARR—The NHMRC has six. Can you tell me why, given your funding, they would have six and you would have eight?

Prof. Sara—The organisational structure of the NHMRC is quite different to that of the ARC. The ARC is an independent statutory authority with its own act. The NHMRC is part of the department.

Senator CARR—So there is more chance to employ people on bigger salaries? They have a grants program worth \$370 million; you have \$270 million.

Prof. Sara—No, Senator. This year we have \$413 million—

Senator CARR—In 2002—is that the case?

Prof. Sara—Your comment about employing more people on bigger salaries invites the discussion of the role of the SES in the ARC. The role of the ARC is to provide investment advice in research and research training to the government, and we need experts to be able to provide expert advice to the government.

Senator CARR—Last year, there were announcements regarding research priorities and the ARC was directed to vote a third of its funding to those research priorities. In terms of humanities and social sciences, they were not included in those priority setting arrangements, were they?

Prof. Sara—If you are referring to the ARC priorities, there were four areas. Humanities and creative arts were not specifically involved in those areas. In setting up the centres of excellence in those four areas, one of the selection criteria in the selection process was to examine and include the social and cultural consequences of the work that was being done in the centres.

Senator CARR—What progress has been made to expand the role of the ARC with respect to the humanities area?

Prof. Sara—Currently, the ARC is completing a review of humanities and creative arts, working with that research community to identify areas of opportunity and focus for the future in humanities and creative arts. I will give you an example. Last night, the Australia Council and the ARC announced a joint initiative to bring together arts and science.

Senator CARR—With regard to the enhancement advisory group, which is undertaking or managing the review of the national priorities, what is the role of the ARC in that?

Prof. Sara—We do not participate in any priority working group or advisory group.

Senator CARR—Why is that?

Prof. Sara—Because we are one of the many organisations which need to respond.

Senator CARR—You are the premier of the grant-making agency, aren't you, in regard to research in universities and you are not involved in the process of setting priorities?

Prof. Sara—Similarly, the ARC has set its own priorities, as you will be aware, last year or the year before. Again, we make submissions and prepare proposals. We have recently completed the implementation plan for national research priorities, which has been approved by Minister Nelson and has now been submitted to Minister McGauran for consideration.

Senator CARR—When we went through this last year, you in fact guaranteed that the ARC priority setting exercise, which intersected with the government's priority setting exercise, would not lead to a decline in the quality grants made in the four areas which had been proposed that one-third of your funding be devoted to. Has it been 18 months since that direction was given?

Prof. Sara—Yes.

Senator CARR—What progress can you now report to the committee about the quality of the work going on in the four areas? Has there been any change?

Prof. Sara—I will give an overall summary. In that year, 34 per cent of funding went to the four priority areas, so we reached the target that had been set for us. The success rate of Discovery projects for priority areas was higher than those for non-priority areas in both Discovery and Linkage. It was 32.6 per cent for Discovery for priority areas and 23.8 per cent for non-priority areas. In Linkage the success rate for priorities was 55.7 per cent for non-priorities it was 48.0 per cent. In no instance did anything but quality play a role, so there was no change in the rank order of any of those applications.

The quality in the priority areas is very high—it is higher than the average that we see in the grants that are successfully funded through the ARC. In reality, that is not a surprise because, if you look at the mechanism that was used to identify those areas, it was bringing together all of our expert advisory committees and saying to them, 'What are the real areas of strength for Australia?' and they were how we determined the priority areas.

Senator CARR—Professor Sara, I saw your name in the paper that was associated with the list of potential candidates for the Governor-General's job. Have you been approached yet?

Prof. Sara—Only by you, Senator.

Senator CARR—Thank you very much.

Senator STOTT DESPOJA—I understand the government has proposed a review of the research training scheme. Has the ARC has been consulted in any way about the terms of reference? What role will the ARC will play in that review?

Prof. Sara—We first had information about this review on budget night. I have since had a discussion with the department, on Tuesday of this week, on how to proceed as there are many reviews going on at the moment that we are involved in. I have had discussions that perhaps the ARC will be putting forward a nominee for the reference group for the review of knowledge and innovation. We certainly will be making a submission to that review.

Senator STOTT DESPOJA—In relation to the terms of reference, is there any specific involvement?

Prof. Sara—I have not seen anything more than I am sure you have, which is the information—

Senator STOTT DESPOJA—But you expect to be involved in that process?

Prof. Sara—I have not been consulted about any terms of reference.

Senator STOTT DESPOJA—Would you like to be?

Prof. Sara—I always like to be consulted.

Senator STOTT DESPOJA—Thank you for that, and good luck with the application. When you have Kim Carr backing you, it is a shoo-in.

Senator Alston—They will keep that in reserve.

Senator STOTT DESPOJA—I do not want to give the minister ideas. That is all on that section for me.

[12.00 p.m.]

CHAIR—We will now move to the Higher Education Group.

Senator CARR—We discussed, in the cross portfolio matters, some issues that we thought we could adjourn until this point. Before I go to a discussion of the higher education package I would like to clear up some questions that remain in that area. An issue arose in regard to chamber question on notice 1304. That related to the national report for the higher education sector 2001. Mr Burmester, I understand that your division had lead responsibility for that.

Mr Burmester—Yes, that is correct. The report was commissioned by the division and it has been worked on within the division.

Senator CARR—Do you recall the answer?

Mr Burmester—Yes.

Senator CARR—Has there been any change in the circumstances since that answer was given to me?

Mr Burmester—No.

Senator CARR—None at all?

Mr Burmester—No.

Senator CARR—Was the total cost of the preparation, or the outside consultants who worked on that report, \$62,200?

Mr Burmester—Yes, that was part of the answer we provided on notice.

Senator CARR—That is not so difficult to confirm. Are you able to tell me what in-house resources were used to prepare the report?

Mr Burmester—I do not have that figure and I think it would be problematic to derive that because there were contributions from various staff members and various sections to that report. It would take some time and some feats of memory, I think, to identify who was

working on the reports at various times and what their contributions were, and then to come up with—

Senator CARR—You must have a rough idea of what it cost. Your division was able to come forward with extraordinary costings on what they thought I was involved with and the number of questions I was asking in this committee.

Mr Burmester—On this occasion I am not sure whether that is possible because, as I understand it, it drew on some work that the division had already done. Various people were given responsibility for aspects of the report over a period of time and we would have to go back and find out who was doing what. It was not funded as an individual project managed by a single individual or a team. It was spread more broadly across the division, as I understand it. I was not around when it was commenced. I think it would be virtually impossible to establish a realistic estimate of the internal resources.

Dr Harmer—We can try to give you estimates of internal resources when it is clear but when it is diverse—across a number of divisions over a period of time—it is very difficult.

Senator CARR—I appreciate the nature of the difficulty. The point that I am trying to establish here is that this is a publicly funded report. The cost is considerable; it is not an insignificant amount of money. As we discussed yesterday, in the context of the position that you take in regard to the provision of public information about important policy issues, it is not an unreasonable request to have information made available to the public when there is work commissioned by the department and funded by the taxpayers. When were the consultants commissioned to undertake this report?

Mr Burmester—I do not have that in front of me. We would have to add to our answer—from the list that we provided—of when those contracts were let. Most of them are small and therefore below the threshold that we would normally include in reports.

Senator CARR—Can you tell me when these contracts were let?

Mr Burmester—I will take that on notice.

Senator CARR—When was the draft final report presented to the responsible departmental officer?

Mr Burmester—I am not sure what you mean by the responsible officer.

Senator CARR—There must be an officer in the department who is responsible—

Mr Burmester—From each of these—

Senator CARR—No, I want to know when the report—it is a consolidated document is it not?

Mr Burmester—Yes.

Senator CARR—When was the draft final report presented to the responsible officer?

Mr Burmester—I suppose I will claim to be the responsible officer because in that way I will be able to answer the question, because I am not sure what you mean by the responsible officer. I became aware of the report when I took over this job, which was in March last year. I have seen various iterations of it up until about the end of last year. I think I took it away on

my Christmas holidays to read. Various other versions, corrections and further editing meant there were several versions at the beginning of this year, which we then sent over to the minister's office.

Senator CARR—I see. When did you send it to the minister's office?

Mr Burmester—During that period, it would have been early in the year.

Senator CARR—What was the date?

Mr Burmester—I do not have an exact date.

Senator CARR—Was it in March?

Mr Burmester—It would have been in the first quarter of the year but beyond that I do not know.

Senator CARR—So the document is in a condition to send to the minister's office in the first quarter of the year?

Mr Burmester—Yes.

Senator CARR—Was it a fact that the report contained findings of analysis and research that gave rise to questions about the efficacy of increasing the cost burdens of students in terms of the equity of participation.

Mr Burmester—I do not recall that being in the versions that I have seen. It is a very substantial report; it is over 600 pages long. There were a number of studies and aspects of a number of reports were pursued, I cannot recall that one; I would have to take that on notice to have a look.

Senator CARR—Would you be able to come back to me fairly quickly on that because it is a critical issue?

Mr Burmester—Yes.

Senator CARR—Dr Harmer, you have not seen this report?

Dr Harmer—No, I do not believe I have.

Senator CARR—It is a 600-page report, one was done 10 years ago, the follow-up one was supposed to be done in 2001 and it has been with the minister from March or thereabouts.

Mr Burmester—That would have been the time that the latest version went over to the minister's office.

Senator CARR—Would it not have been of benefit to have a report of this nature in the public arena during the Crossroads discussions?

Mr Burmester—There was quite an amount of information, research and analysis included in the discussion papers that were made public during the consultations. In fact, the intention there was to focus the discussion and consultations on particular themes. To do that we produced a series of discussion papers, which I am sure you have seen, and that drew on some of the same information, similar themes, and put it in a context that would lead to focused consultation, discussions and feedback. As you know we got an awful lot of

submissions and most of them were most helpful because they were focused on the theme presented to—

Senator CARR—I understand what the submissions were and I saw those papers, but what I'm talking about here is a 600-page report produced at public expense and commissioned by the department. There is a list of consultants—some of who did not manage to get into the annual report, so there was a clear mistake in the way the reporting requirements are supposed to be met. The report addressed the issue of participation rates in terms of the cost burden to students. I am particularly interested in the impact on band 3 courses. I have no doubt that over the dinner break you will be able to check the report on this matter because I have asked in my question on notice no. 1304 that went specifically to band 3 courses—

Mr Burmester—Which part of your question no. 1304 went to that?

Senator CARR—It reads:

(5) In particular, were there studies on participation rates in higher education by sector: (a) by socio-economic status; (b) by region; (c) by age; (d) by gender; and (e) by undergraduate and postgraduate categories.

(7) Has any of the research shown deterioration in participation for the groups: socio-economic status, by region, age, gender, undergraduate and postgraduate categories.

and so on and so forth.

Mr Burmester—I do not think those questions have been interpreted—

Senator CARR—You do not think they were specific enough for you?

Mr Burmester—No, certainly not.

Senator CARR—I tell you what. You can perhaps help me now then. Does the department have data on trends in enrolments in the band 3 courses under differential HECS?

Mr Burmester—I will take that on notice.

Senator CARR—Can you? Dr Harmer has indicated to me that he is prepared to facilitate the work of the committee by having a look at these things quickly. This will only take you about three minutes—once you get the report—to establish whether or not I am asking you questions that can be answered quickly.

Dr Harmer—We will do our best in that regard, as I indicated at the outset.

Senator CARR—I appreciate that.

Dr Harmer—I have here—and I suspect from what you have said about the dinner break that we are going to be here for some time on higher ed—

Senator CARR—We are going to be here for some time.

Dr Harmer—We will do our best, but I do not want to promise for any particular case that I will get the information during the time. We will do our best to help you.

Senator CARR—I will go to these issues in some detail, as I say. I have advice, based on some of the research that we have seen, that three of the four course areas—dentistry, law, veterinary science—showed significant declines in commencement of students from 1997,

when the changes to HECS were introduced by the government. Dentistry fell from 108 to 89, law fell from 5,389 to 3,788 and vet science fell from 227 to 93. commencements for medicine rose but, by commencing course load, they dropped the following year. The total commencements for the four disciplines fell from 6,500 in 1996 to a bit under 5,000 in 1997 and so on.

Dr Harmer—Senator, would it be possible for you in the same way to share that information with us? I am not aware that we have seen that analysis.

Senator CARR—I could. This is material provided by the parliamentary library, so that is not particularly top secret. I will table those if you like. They do not actually like us to attribute matters. I will table those matters at the request of the secretary.

Mr Burmester—We did not commission the parliamentary library to provide that information.

Senator CARR—I know you did not. I appreciate that you did not commission the parliamentary library; I did.

Mr Burmester—You seemed to imply that that analysis was in our report.

Senator CARR—I would like to know: was it in your report? Was there an analysis of that type in your report? Was it in your final draft report that was prepared in March this year?

Mr Burmester—The clear answer is the information you provided is not in our report and we have taken it on notice that we will establish what information with regard to differential HECS is in the report.

Senator CARR—Thank you very much. And whether or not the decision to suppress this report—

Dr Harmer—I do not believe there has been a decision to suppress the report. The report is currently, as I understand it, with the minister. It is a huge report; it is a significant one. Much of the information has already been made available through discussion papers in the lead-up to the higher ed package. The minister has been, as you can imagine, incredibly busy at his office in the past few months. I am not aware that there is any decision not to eventually release if it has not been yet.

Senator CARR—The report says:

The report will be published and made publicly available when it is finalised.

There has been a draft final report in the department since the first quarter of this year at least. I would suggest to you that it is a pretty comprehensively completed final draft, sufficient for you to send it to the minister's office. You would not be sending off bodgie advice to the minister's office, would you?

Dr Harmer—A final draft has gone to the minister's office—I believe that is true.

Senator CARR—Thank you very much.

Dr Harmer—But the process of agreeing that it is available for publication is not yet complete.

Senator CARR—That is right.

Dr Harmer—There is no suggestion of suppressing it.

Senator CARR—That is right. I appreciate the frankness of your answer, but I was told, in the answer to the question that I put on notice, that the report was not finalised.

Dr Harmer—I suspect that by ‘finalised’ we mean through the whole process of agreeing it can be published, and that is true.

Senator CARR—I have also been told that there was no study along the lines suggested by the question contained in the draft report. I have asked the minister to check that. I have no doubt he will be able to come back after lunch and tell me that. Can I have copies of the following reports: P. Aungles et al, *HECS and educational opportunities*; R. Blakers et al, *Mobility: why do university students move?*; R. Fleming and T. Karmel, *University participation of persons from non-English speaking background: impact of migration patterns 1991-2000*; R. James, *Socioeconomic background and higher education participation: an analysis of school students’ aspirations and expectations*—that is an EIP report; M. McLachlan and T. Karmel, *HECS: the impact of changes*; Y. Martin and T. Karmel, *Expansion in higher education: effect on access and student quality over the 1990s*.

Dr Harmer—If I could have that list we will let you have an answer.

Senator CARR—I presume that those reports are available within the department.

Dr Harmer—It would be very difficult for us to answer that. I do not think we are aware of each of the ones you have mentioned and I would not necessarily confirm that they are available in the department, but if you give us the list we will have a look.

Senator CARR—I understand they are all forthcoming. They are with the department now, are they?

Dr Harmer—I honestly do not know.

Senator CARR—I have asked for them. If they are not available, when will they be available? Who makes the decision as to whether or not a document is finally released? Is that decision one for you to make, Dr Harmer, or would it be a ministerial decision?

Dr Harmer—It depends on the nature of the document.

Senator CARR—Is the release of this report a decision that the minister makes or you make?

Dr Harmer—The 600-page one?

Senator CARR—Yes.

Dr Harmer—We would seek the minister’s approval to release that.

Senator CARR—It would require the personal decision of Dr Nelson?

Dr Harmer—Yes, I would think so.

Senator CARR—Have these reports been shown to Mr Ross Hampton?

Dr Harmer—I am not aware who they have been shown to. When we send reports to the office, we do not check who within the office gets to see them.

Senator CARR—So you do not have a contact point in the office on the question of the release of reports?

Dr Harmer—We do not address communication to any individual within the office. We address our communication to the minister.

Senator CARR—Mr Ross Hampton is still the media adviser, is he not, to Dr Nelson?

Dr Harmer—Yes, he is.

Senator CARR—That is the same media adviser to Peter Reith, isn't it? They have got the same person—I have not misunderstood that, have I?

CHAIR—You established that in previous estimates hearings, Senator.

Senator CARR—That is the same one that was involved in the 'babies overboard' scandal, wasn't it?

CHAIR—We have been through all this, Senator.

Senator CARR—And he was the one in the attack in the docks confrontation—the dogs on the docks.

CHAIR—We have trawled this through; it is all in the *Hansard* record.

Senator CARR—I just want to know if it is the same person.

CHAIR—You know that, Senator.

Senator CARR—Mr Burmester, is he the one who is making the decisions as to whether or not we suppress reports which show that the government's policies are not unnecessarily improving participation?

Dr Harmer—We cannot comment on who within the office. We have sent communication to the minister.

CHAIR—Senator, you know that, and you are wasting time.

Senator CARR—I just wondered. He seems very good on the recollection of facts. I wonder whether he could recall the fact that this report has been suppressed. It has been suppressed since March this year.

Dr Harmer—It has not been suppressed. I am advised that it is still for consideration by the minister.

Senator CARR—Do you think we could get a copy this afternoon?

Dr Harmer—I doubt whether I would be able to get the minister to make a decision in that short time frame.

Senator CARR—I have another matter about information. I used to be able to get clipping services from the department. They have been stopped. Why is that?

Dr Harmer—I do not know the answer to that. I think we make a copy of our press clippings available to the parliamentary library. I am not sure of my facts there. I am operating from memory, but I think we make a copy of the clippings available to the parliamentary library each day.

Senator CARR—There was a provision of the press clipping service to me as shadow minister. It has been stopped for some time. Perhaps Dr Jarvie can tell me the reason.

Dr Jarvie—I do not have deep details of this. We changed our media monitoring contract. The AAP on-line media monitoring contract ceased on 23 January 2003. We did a limited tender and Media Monitors secured a three-year contract to provide on-line media monitoring until January 2006. That replaced the hard copy clips.

Senator CARR—Was the opposition made aware of the new contract and were we provided with copies of it?

Dr Jarvie—I cannot answer that question; I will have to take it on notice.

Senator CARR—Can you tell me why I was not given access to it?

Dr Jarvie—An additional copy of the clips is made daily and sent to the estimates committee secretariat.

Senator CARR—That is terrific but it is not quite the same as having it on my machine at 7 o'clock in the morning so we can find out what is happening around the country. We might get it a couple of days later.

Dr Jarvie—I believe it is on the same day.

Senator CARR—That is terrific but it has to be photocopied or distributed. Why can't we get it directly as we used to? What reason is there for depriving the opposition of this service?

Dr Jarvie—The option we took up has given significant savings to the department over the previous strategies, which has been a major consideration.

Senator CARR—Terrific. Why can't the opposition get access to this service? Why has that service been withdrawn?

Dr Harmer—In addition to the cost savings I imagine that we believed—and I was not there at the time—that in making it available to the estimates committee we were making it available to you.

Senator CARR—I would like it directly. Why can't I get it directly?

Dr Harmer—I do not know the answer.

Senator CARR—I will therefore put that on notice: why can't we have that directly; when will it be reconnected? That is my first point; that should not take too long to establish.

Dr Harmer—We will take that on notice.

Senator CARR—How many hard copies are being produced in the department?

Dr Jarvie—Only two, I believe.

Senator CARR—Who are they for?

Dr Jarvie—Two hard copy sets go to the minister's office and two sets go to the department.

Senator CARR—Why can't the opposition get a hard copy as well?

Dr Jarvie—The estimates committee does get the hard copy as well. They are the only hard copies.

Senator CARR—That is sent across every day, is it by fax?

Dr Jarvie—It is sent across every day on the same day.

Senator CARR—I would like to know why we cannot get the electronic copy, in the first instance, and why we cannot get a hard copy as well. You will be able to answer both those questions, I trust.

Proceedings suspended from 12.24 p.m. to 1.30 p.m.

[1.36 p.m.]

CHAIR—We are continuing with matters relating to higher educations.

Senator STOTT DESPOJA—At a previous estimates committee, we were informed about the Regional Protection Fund and the proposed review of that fund. I note that in the publication *Our universities: backing Australia's future* there is no mention of continuation of the Regional Protection Fund. Does that mean there is no extension of the fund?

Mr Burmester—As part of the package on higher education, the minister announced a review of a number of matters relating to research, one of which was the review of the knowledge and innovation measures which go to the performance based research funds—RTS, IGS and RIBG—and that the Regional Protection Fund was there as part of the first three years of those new arrangements. From the beginning of those arrangements, it was clear and publicly stated that the government would review the continuation of that particular measure and the other allocative mechanisms within those performance programs in 2003. The announcement confirms that we are undertaking that review this year.

Senator STOTT DESPOJA—So the lack of discussion of the fund in *Our universities* does not indicate that the fund is not being extended? You have not pre-empted the findings of that review in any way? Do we just assume that it will continue in 2004 but that it will be reviewed next year as proposed?

Mr Burmester—No. The funding was provided for three years, and it will be reviewed this year to determine whether it will continue or what arrangements will be made within the performance formulae used in those programs—whether it is a necessary requirement to continue it.

Senator STOTT DESPOJA—So you cannot rule out that it will or will not be extended at this stage?

Mr Burmester—That is right. It is up for review, and there is no disposition one way or the other.

Senator STOTT DESPOJA—Thank you. Chair, I am assuming that we are dealing with outcome 2 and you are happy for me to talk about issues pertaining to that.

CHAIR—Yes.

Senator STOTT DESPOJA—I might move on to another aspect of universities—that is, the proposed reforms released on budget night. I want to ask you about the so-called learning entitlements. First of all, what is the rationale behind the proposed learning entitlements? I understand it is something to do with fending off or preventing the notion of the perpetual or perennial student. On what basis was this proposal devised, and could you specify for the committee not only the rationale behind that proposal but also a specific figure as to how many students in Australian universities are currently considered to be perpetual students.

Mr Burmester—The government's intention in including that provision in its policy is that—as part of the broadening and increased flexibility in the way that universities can offer their courses, such as the changes to the numbers of fee payers, the provision of fee help loans to fee payers and so on—the Commonwealth's contribution to any particular student will be limited. It is not an open-ended commitment to any individual student. The five-year

entitlement was considered to be a mechanism by which that could be administered within that new framework, that students would be entitled to five years eligibility to Commonwealth supported places and thereafter they could avail themselves of the other flexibilities within the package.

Senator STOTT DESPOJA—Do you mean they could move to full fee-paying places?

Mr Burmester—If they sought to pursue their studies further. It was acknowledged that five years is not necessarily appropriate for all pathways to graduation. There will be a number of degrees. We have called them pathways, because they are really patterns of study that are generally accepted as being standard approaches to study—such as double degrees with honours, medicine, graduate medicine and so on. Where those courses go for longer than five years, the entitlement would be extended to the duration of the course.

Senator STOTT DESPOJA—Was there any consideration given to a total cost based on the student's eligibility for an amount as opposed to a time line? Was that something that was considered in the discussions that led to this proposal? Are you aware of that?

Mr Burmester—Not that I can recall. It was clear that students should have freedom to choose whichever pathway they wished to pursue, so it was not seen as a cash limit. But the notion is about a limit to the Commonwealth's contribution to any individual.

Senator STOTT DESPOJA—What evidence was relied upon to devise this proposal? I understand the rationale behind it but do we have any information, or was there any research done, that indicates that we have a problem in Australian universities with students being perpetual or staying on for longer than necessary? I am not sure what research has been done, if any. If some research has been done, perhaps you could outline for the committee the nature of that research and some of its conclusions.

Mr Burmester—I would not say that it was based on a case argued purely on the fact that there were a large number of students who were perpetual students. It was an equity measure as much as a practical measure so that the available places that receive Commonwealth support are shared across the people who want to get into university and you put a limit on the benefit that any individual can access. It is coming at it from a principle point of view as much as from the information that we had. There are a number of students—it is not a large number—who do spend a large amount of time at universities undertaking multiple courses and awards. From our HECS records, we can determine that there are some individuals who have accumulated what I would call surprisingly large debts. That would suggest that they have been enrolling and participating in courses over a very long period of time—over a number of years—and that, while they are small in number, it is an area where the government could say, 'They've had a fair go at university. It's time for somebody else to have a share.'

Senator STOTT DESPOJA—You have said that it is not a large number but a small number. What is the number?

Mr Burmester—I would have to take that on notice. I do not have that figure with me. As I said, it was a policy position based on equity as much as the actual facts of the case.

Senator STOTT DESPOJA—I thank you for that. I am particularly interested to know the current numbers that would lead to this policy decision. I am approaching, first of all, the practical considerations. Would you take that on notice and provide the committee with a number that is as specific as possible. It sounds to me that this has not necessarily been identified as a problem, and it seems that no specific research was undertaken which led to the devising of this proposal.

Mr Burmester—There were a number of indicators and some data available that showed that there were a small number of students who would appear to have been accessing funded higher education for quite some time. The government's point of view was that, if you have an entitlement that says, 'The Commonwealth contribution to your personal study is limited,' then what is a mechanism by which you could implement that? And we have come up with the entitlement model.

Senator STOTT DESPOJA—I appreciate the specific number but I am assuming that, when we are talking small, we are talking thousands, tens of thousands, or a percentage?

Mr Burmester—As I said, I would have to take it on notice. It is some time since I have looked at that data. It was prior to developing the proposal to put to cabinet.

Senator STOTT DESPOJA—Were you asked to look into that data for the purposes of coming up with a strategy such as this? It is not something that the department stumbled across and thought, 'This is a problem that needs addressing'?

Mr Burmester—I do not recall the precise origin of the notion. I cannot remember a specific example, but it would have been the sort of comment that would have been made during the extensive consultation arrangements and that we may have followed up.

Senator STOTT DESPOJA—Thank you for that. I want to talk about the proposed loan schemes—the HECS-HELP and FEE-HELP arrangements—particularly something I have been trying to get to the bottom of. Can you confirm for the committee that, under the proposed new loan schemes, students with a HECS-HELP and a FEE-HELP or OS-HELP debt will actually have two accounts with the ATO. Is that the case?

Mr Burmester—I am not sure that the ATO have redesigned their computer system as yet. But, in practice, effectively that will be how it is managed. Student contributions made through a HECS loan will be recorded as a separate amount and then, if students subsequently take out a FEE-HELP or an OS-HELP loan, the amount of that second loan would be recorded separately because it has to be indexed differently but at the completion of 10 years after the differential in the interest charge reverts back to the HECS loan, there would be no need to keep it as a separate amount. But the ATO have not gone into that actual design principle. There would be no need to maintain it after the 10-year period.

Senator STOTT DESPOJA—Given that the system or the software has not necessarily been finalised by the ATO, is it the case that students have to pay off the HECS-HELP debt first, before any of their repayments will be accredited to the two interest-bearing loans?

Mr Burmester—The provision is that the compulsory repayments collected through the tax system would go first to the HECS account, and only when that was paid out would they then obviously go to the FEE-HELP account. But after 10 years, there would probably be no

difference between them, and it would make no difference anyway, because the interest rate stops after 10 years. Voluntary repayments, however, can be directed to whichever account the person chooses.

Senator STOTT DESPOJA—In relation to those voluntary repayments—and I understand now that we have a system where there is a 15 per cent discount for any voluntary repayment of the HECS or PELS debts—it is proposed that that will be reduced to 10 per cent for the HECS-HELP debts but that there will be no discount for the OS-HELP or the FEE-HELP debts. Is that the case?

Mr Burmester—That is correct. The 15 per cent gets reduced to 10 per cent for HECS voluntary repayments. Voluntary repayments of an OS-HELP or a FEE-HELP loan would have the effect of saving the interest charge it would otherwise have accrued to the amount that you repaid.

Senator STOTT DESPOJA—When crafting that decision to apply 10 per cent to the HECS-HELP but not to the others, what was the rationale for that?

Mr Burmester—There was a change to the threshold levels of repayment under the HECS loan, so we were looking at initiatives that could be made to the HECS system that tried to provide some incentives for continued repayment and upfront payment but also provided some offset to the other components of the package.

Senator STOTT DESPOJA—But there was no specific reason to distinguish between HECS-HELP and the other help?

Mr Burmester—The FEE-HELP loan is a new system. Because it has an interest charge on top of the CPI component, the incentive to repay that loan early is by reducing your amount and therefore avoiding future interest charges. So there is no need for the Commonwealth to provide a further incentive beyond that. For HECS-HELP loans there is no such incentive because it is only a CPI charge, so there is some encouragement provided for students to voluntarily repay their HECS.

Senator STOTT DESPOJA—That is an interesting definition of incentive. If a discount were to be applied, many people would see that perhaps as an added incentive. I was just curious about the differences among those three. You mentioned the threshold—and I know I have moved away from the ATO accounts, which I will get back to—but with regard to the decision or the proposal in our universities to increase the threshold at which graduates begin to repay their HECS debt, what was the rationale behind that?

Mr Burmester—That was one of the repeated themes raised in the consultation. It went to the equity of treatment of graduates who emerge with a HECS debt and who do not immediately take up high paying jobs, for whatever reason. It provided an extra equity measure to those students and protected them from having to make their repayments at lower income levels. A range of proposals was put forward to government about what that suitable range should be, and it determined \$30,000 to be the appropriate amount.

Senator STOTT DESPOJA—Was there any particular reason?

Mr Burmester—It was trying to balance a range of priorities within the package and across the budget.

Senator CARR—Mr Burmester, what is the cost of increasing the threshold figure? Do you have you a costing on that?

Mr Burmester—I am not sure that that is separately identified in any of our documents.

Senator CARR—No, that is why I am asking you. What was the cost?

Mr Burmester—I would have to take that one on notice. I am hesitating because it depends on the terms on which you look at it.

Senator CARR—There has to be a formula, hasn't there? There has to be a mechanism—

Mr Burmester—I am trying, in my own mind, to sort out whether it is an expense or a fiscal balance item. Maybe Maria can help me.

Ms Fernandez—The Australian Government Actuary estimated that increasing the threshold would reduce repayments by approximately \$16 million a year.

Senator CARR—How was the \$16 million calculated?

Ms Fernandez—I cannot answer that. That was modelled by the Australian Government Actuary.

Senator CARR—Can we say it is \$16 million per thousand, per 2,000, per what? How do we calculate the—

Ms Fernandez—That is total.

Senator CARR—What was the threshold increase?

Ms Fernandez—I think it went from approximately \$24,300 to \$30,000.

Senator CARR—Is it calculated on the basis of a schedule?

Ms Fernandez—I am sorry, I cannot answer that.

Senator CARR—So, for every \$6,000 increase in the threshold, there is a \$16 million cost?

Ms Fernandez—No, I am sure that is not how it works. The Australian Government Actuary has a very complex model that has every HECS debtor who has ever existed in it and all of the repayments that they have ever made. So it is modelled on actual data.

Senator CARR—Can we have a look at the formula that is used to give you the calculation of \$16 million?

Mr Burmester—There is no single formula. Basically, it is microsimulation from a data set of previous HECS debtors that the actuary uses to calculate the change. The actuary would model the life prospects of all those previous debtors—find out how many and for what period they would spend in the income range of \$24,000 to \$30,000—and work out how many repayments they would have made. It is not just a simple set of assumptions. It is a model, the result of which gives us the figure that you have been told.

Senator CARR—If the question of the threshold levels had remained as it was when the government took office in 1996, the threshold figure would now be around \$35,000, wouldn't it?

Mr Burmester—I think the AVCC has used that figure and those concepts.

Senator CARR—What is the revenue effect of having the figure at \$30,000 rather than at \$35,000?

Mr Burmester—We modelled the proposal that the government considered, which was \$30,000; we did not model the other.

Senator CARR—You have not done any assessment of the AVCC's proposal?

Mr Burmester—I think you asked that question last time.

Senator CARR—Yes, I did. I remember it was about \$13 billion for the total package.

Mr Burmester—That was their costing.

Senator CARR—Yes, that was their costing of what it would be—\$13 billion.

Mr Burmester—We did not cost the AVCC package.

Senator CARR—You did not cost it at all?

Mr Burmester—No.

Senator CARR—Where did the \$13 billion figure come from then?

Mr Burmester—As I said, it must have been their estimate.

Senator CARR—So, in this particular matter, we can say that we can identify a figure of \$16 million?

Mr Burmester—Yes.

Senator CARR—And you would not take on notice how that calculation was made?

Mr Burmester—I do not think we can go beyond what we have said, that the Commonwealth actuary has used the model that it has developed over a number of years to be able to do this sort of analysis and has given us a figure.

Senator CARR—You did not see the modelling?

Mr Burmester—The Commonwealth actuary was a competent body to do the work that we needed to be done.

Dr Harmer—There are times when we need to rely on other agencies for input, and this would have been one of them.

Senator CARR—You just took the figure of \$16 million as right?

Dr Harmer—They are the experts; we take it as right.

Senator STOTT DESPOJA—I want to make some final clarifying points on the HECS-HELP and FEE-HELP loans. Based on what you have said, Mr Burmester, are you confirming that students with a HECS-HELP and a FEE-HELP loan will have interest compounding at CPI, plus the 3.5 per cent, for up to 10 years without any repayments; that you could have a situation where they are paying off one loan but they also have the other loan and they could be accruing that interest, the CPI plus 3.5 per cent, for up to 10 years without repayments?

Mr Burmester—That is right.

Senator STOTT DESPOJA—Speaking of modelling, have you modelled the savings to the Commonwealth from prioritising the student repayments in this way or by allowing students to pay off the FEE-HELP loan first?

Ms Fernandez—The savings to the Commonwealth?

Senator STOTT DESPOJA—Yes.

Ms Fernandez—There are no savings to the Commonwealth; the loans cost the Commonwealth.

Senator STOTT DESPOJA—I understand that point. But, if there are two separate accounts and people are paying off one first and potentially accruing a CPI plus 3.5 per cent interest on the other and not getting to that first in that 10-year period, there is an opportunity for the Commonwealth to get more money through that. I am not suggesting it is a revenue raising measure.

Mr Burmester—When you have two loans and a repayment amount determined by your income, the amount of debt that has been repaid is fixed—it will be the same. The only savings that could possibly emerge from the scenario that you describe is that after a student has finished paying off their HECS loan they commence paying off their FEE-HELP loan, which has now got a component of interest embedded in it of the interest charges for the first 10 years, and they would eventually get to pay that at the very end of their loan. They do not increase the repayment rate. The only savings that the Commonwealth could ever possibly factor in would be accruing to the Commonwealth at the end of the repayment period for both the combined HECS and the total FEE-HELP help with interest loan. That is probably 15 to 30 years beyond when the student incurs the debt. The impact on the budget figuring, which is what we have been looking at, would be zero.

Senator STOTT DESPOJA—Are you saying that by virtue of paying to the ATO first—the HECS-HELP—and thus not putting any money into the other loans, that is not going to defer or elongate the payment of the second loan? That is not going to make that over a longer period and thus they are not likely to incur increased interest through the CPI and 3.5 per cent interest rate, so students will not be paying more?

Mr Burmester—Over their whole lifetime, if they were to extinguish their total HECS and FEE-HELP loan in their lifetime, they would, towards the end of that repayment period, contribute more than if the FEE-HELP loan was paid off first.

Senator STOTT DESPOJA—Indeed.

Mr Burmester—That is why the 10-year period was included in the package so that interest did not continue to accrue while the student was paying it off. It was a loan to provide extra funds—

Senator STOTT DESPOJA—I am only talking within that 10-year period; I acknowledge that, I am not talking about after 10 years. I am talking about during that decade time frame that they would obviously be accruing the CPI and the 3.5 per cent interest rate. Would they be paying more as a consequence of the separate account system whereby they pay off their HECS-HELP first and then their money goes into the second loan, but in the interim, by

virtue of not paying off any of that second loan, they have accrued additional interest or CPI rates?

Mr Burmester—That is right. But their rate of repayment will not vary because that is determined by income. The only time that the Commonwealth would receive any additional funds from that interest charge is in those cases where the student eventually extinguishes their total debt, which would be some time into the future and that is not certain. As you know we have a doubtful debt figure that says that we expect not all students to fully repay their loan.

Senator STOTT DESPOJA—If there has been no modelling done, per se, what other research or work has been done looking into the impact of this proposal, or indeed what research or work has been done? You said that the ATO has, to your knowledge, yet to finalise their systems for organising this repayment. When this system was devised was the ATO a key part of this proposal? Were they very much involved in determining this strategy?

Mr Burmester—Yes. The key departments involved in considerations of this model were ourselves, the tax office, Treasury, Finance and the Actuary.

Senator STOTT DESPOJA—Just to confirm that no Actuary modelling had been done on the repayment process or the money that would be coming into government—whether I describe it as a savings as a consequence of the way that it is arranged? There been no modelling done on how this system will work?

Mr Burmester—The Actuary provided some views on the lifetime repayment profile of the model and also the normal financial figures that we would need for the preparation of the budget, such as the revenue earnings from indexation, changes to repayment rates and so on from the thresholds and those sorts of things. They were involved in modelling the costs, but we did not compile an analysis of the lifetime earnings of all HECS debts or projected HECS debts. There were some scenarios drawn so we could have a look at how the system would work.

Senator STOTT DESPOJA—Did they suggest the model where students have two accounts and HECS-HELP should be paid off first?

Mr Burmester—Again, I do not know who came up with that proposal but it would be logical that if one part of a combined loan was to be indexed on the different basis then it would have to be separately identified. That was apparent to everyone in the discussion.

Senator STOTT DESPOJA—So we do not know where that idea originated from?

Mr Burmester—The idea of separate account is implicit in the fact that you have one loan indexed to CPI and one indexed to CPI plus 3½ per cent.

Senator STOTT DESPOJA—I want to ask about transitional arrangements under *Our universities: backing Australia's future*. I understand that a transitional fund of \$12.6 million will be available in 2005 to assist institutions to adjust to the new arrangements. According to page 19, it says:

... to ensure that no institution is significantly disadvantaged.

Has the department modelled the effects of the new arrangements on each institution? Do you have an understanding of how each institution will be affected under these proposals?

Mr Burmester—Not at the individual institutional level. There will be a number of interacting effects on any one institution from the package. It ranges across all the measures from the phasing out of marginal places; provision of new fully funded places; regional loading; any funds that university would gain through the performance funds such as the teaching and learning performance fund to the allocation that they would get or the real increase in the Commonwealth contribution through the 2½ per cent increases for three years. And I have not mentioned the most important component, which is how that university itself determines its HECS charges for its students. That factor alone means that it is impossible for the Commonwealth to model the overall impact of the package on any individual institution. It will be determined by the institution itself. All these figures interact. We have proposed to the AVCC that we provide universities with the data from which they could do their own modelling.

Senator STOTT DESPOJA—When was that proposed?

Mr Burmester—At a plenary session of the AVCC in Sydney on 22 May.

Senator STOTT DESPOJA—So this was after the budget?

Mr Burmester—It was after the budget.

Senator CARR—We had a briefing just last week and you said to me that you would have material ready on the course mix by the estimates.

Mr Burmester—That would be part of the information that we would be giving to the universities. We have not yet completed that.

Senator CARR—You have not completed it?

Senator STOTT DESPOJA—I think he is right in that there was a specific request made at the briefing for Democrat and opposition staff about this modelling. Are you saying because of these so-called interacting features that the department is unable to do this modelling? You cannot tell me whether or not base funding will rise or decrease for specific institutions based on the new arrangements and thus you cannot determine the transitional assistance they are to be given. You are suggesting that the AVCC do that—is that right?

Mr Burmester—No. We can provide the universities with the data which we would be using for our component of their funding arrangements. I was answering the question about what would be the impact overall. I was saying that that was impossible for us to model. We will be providing universities with the impact of those things which are affected by the Commonwealth's side of the funding equation. We had hoped to have information finished by now, but we have not yet finished it. Most of it has been done. We will provide it to the universities, and I am quite happy to provide it to this committee as soon as it is available. But it will only go to the discipline mix that the university currently has, based on past data, not on the data that we will eventually use—which will be 2005. It will be based on the regional loading that they would get from our figures on which they have been invited to clarify and confirm information. So there is a range of uncertainties even within that information.

Senator STOTT DESPOJA—I would like to turn to the issue of student contributions—and if Kim wants to come back to some of those other issues, I am sure that he will. Pages 20 and 21 of the *Our universities* report refer to support for students, and in table D on page 21

you estimate student contributions as a percentage of total Commonwealth funding. What is the basis for your 26.8 per cent estimate for 2005?

Mr Burmester—For some time, a figure has been in the public domain about the contribution of the student versus the Commonwealth to the costs of education. The figure that has been used in the past is about 26 per cent. In going to the new basis of funding where the Commonwealth contribution is only for its contribution—the HECS amounts are set by the universities—we had to estimate so that there was still some common knowledge about what contributions students were making. What we have done is taken the base of funding that would have applied from the current arrangements to the new arrangements and estimated what the student contribution would be as a proportion of those funds that will now be available through the sector and from the students themselves. That figure is derived from that sort of calculation. The footnote says that it takes into account all those contributions that the Commonwealth makes, which has always been the case. It is not that these are new creations; we have always taken into account, for example, the contribution that the Commonwealth makes through a whole range of things through the subsidy provided and through an income contingent loan system.

Senator STOTT DESPOJA—I wanted to ask you that just to clarify what you meant when you said, ‘(b) taking into account the subsidies inherent in the HECS-HELP program’. I assume you meant interest-free loans.

Ms Fernandez—For HECS-HELP, it is the interest rate subsidy, in that they are only indexed by CPI. But there are other subsidies like the 25 per cent upfront discount, the bonuses—all of those things—and, of course, the doubtful debt is also a subsidy. In the case of the new HELP loans, they are still subsidised in that they are income contingent. So there is a doubtful debt component which the government carries.

Senator STOTT DESPOJA—I should have said ‘no interest in real terms’ rather than ‘interest free’. Would you be able to provide the committee with a detailed examination or outline of the assumptions that you have used in coming up with this table? Is it possible to provide us with that?

Mr Burmester—We could tell you the components of the denominator of that calculation because it is the same as it has been in the past. That is important to bear in mind, but we could give you a breakdown of the components that flow into that.

Senator STOTT DESPOJA—Could you also provide the committee with the estimates of average contribution by band and also by discipline, and the percentage contribution for students who do not make those voluntary or up-front payments? Is that something that you can advise us now or perhaps take on notice? What is the real percentage of contribution by the majority of students—the breakdown by discipline, band and percentage contribution? Is that possible?

Mr Burmester—We do not know what students will contribute under the new arrangements. That is determined by the universities.

Senator STOTT DESPOJA—Looking back since the introduction of HECS through to your projections for 2008, could you provide the trend data on student contributions as a percentage of the total Commonwealth funding?

Mr Burmester—That is basically the 26.1 per cent, 26.8 per cent and 27.6 per cent. That is the series that we were trying to provide so that those relative comparisons could be made.

Senator STOTT DESPOJA—You can not provide us with more specific detail as to the assumptions behind these tables or what has led to them? You can not give us any more specific details about what you are basing those assumptions on?

Mr Burmester—We can give you the components of the Commonwealth contribution and the assumed HECS contribution. But that is an overall assumption about the HECS. We do not determine the HECS contribution, that will be determined by universities. We can give you those components, and I will do that.

Senator STOTT DESPOJA—I want those components and any specifics that go into those assumptions—whether it is marginal funding, debt discounts or any of that information. If you could provide that to the committee, that would be great.

Senator CARR—What has happened to the suppressed report?

Mr Burmester—When I left it somebody was still considering the content of that report. I have not yet received any information.

Senator CARR—You have not found out the contents—the band 3 research?

Mr Burmester—No, not yet. We are looking at it.

Senator CARR—Are you trying to find the report? Has it been buried so deeply in the department that it cannot be found, or can we wander over to the minister's office and get it?

Dr Harmer—We do not bury reports in the department.

Senator CARR—You did not bury the report? I see. Has it been in the minister's office since March? Has it been lost in the correspondence file?

Mr Burmester—Somebody in the department is looking at the copy in the department.

Senator CARR—That is good. So you have still got a copy; you have not lost it.

Mr Burmester—Yes.

Senator CARR—Did you see Professor Karmel's response to the higher education package?

Mr Burmester—Yes.

Senator CARR—Did you read his comments about the package where he says it does not does not 'analyse in depth the main issues now confronting Australian universities'? Did you read that part of his assessment?

Mr Burmester—I recall some sentiment along those lines.

Senator CARR—He said that it does not see the big issues, does not address them. Professor Karmel was a former chair of CTEC, wasn't he?

Mr Burmester—Yes.

Senator CARR—He would know something about management of universities, wouldn't he?

Mr Burmester—Yes.

Senator CARR—He says that this is a Stalinist model, and a Soviet model. That is how he describes the government's report.

Senator Alston—He should be in the political business. He would fit well into your faction.

Senator CARR—He says that the package is far too interventionist. He says that it 'contrasts strangely with the government's free market and deregulatory policies'. Would you agree with his observations, Mr Burmester?

Dr Harmer—No.

Senator CARR—You would not? Would you like to answer this, Dr Harmer?

Senator Alston—You did not draft his release, I hope.

Senator CARR—You do not agree with that, Dr Harmer?

Dr Harmer—Since the package has been released there has been a lot of commentary, which we have obviously looked at. Given the current status we are not into commenting about other commentary. We listen and—

Senator CARR—That is fair enough; I understand that response. But when I read the package I see that you are now going to have new contracts with the universities—contracts which will go to the issues teaching load, discipline mix, enrolments, staffing arrangements—

Mr Burmester—That last component is not in the agreement. We will have agreements—they are not contracts; they are agreements—and they go to the basis of funding so that it is quite clear and explicit what the Commonwealth is prepared to fund in terms of teaching places at universities. To determine the cost, because each will be funded at a different cost level, we need to obviously know and have agreements about which disciplines will be determined.

Senator CARR—Are they enforceable agreements, Mr Burmester?

Mr Burmester—They will be payable agreements in that, where a university delivers the agreed load in the agreed discipline mix, they will get the full funding that we agree.

Senator CARR—Will there be penalties if they break the agreement?

Mr Burmester—If they do not deliver the places, they will not be paid for not delivering the places.

Senator CARR—Would there be penalties, though? Is the word 'penalties' used anywhere in the proceedings?

Mr Burmester—I am not sure we use the word 'penalty' but in terms of over enrolment, there are sanctions on universities. This is an important issue, because what the Commonwealth wants to ensure is that the places it funds are fully funded and that the quality of the places it funds is maintained by having the resources available to provide it.

Senator CARR—These agreements are enforceable, though?

Mr Burmester—We have indicated to universities that there will be a limit to the number of places over which the Commonwealth will allow its funds to be spread; therefore, there is a two per cent cap on the number of places over the agreed level that they can provide. Thereafter, they would be required to return to the Commonwealth the funds they would have generated in providing those extra places. This is a disincentive for them to spread Commonwealth places and the resources provided by the Commonwealth across an ever-increasing number of places. At the same time, they have a number of flexibilities under this package, such as through the increase in fee-paying places to accommodate excess demand or their own interests in developing areas beyond the Commonwealth funded load.

Senator CARR—I want to go to the detail of all of these in due course, and I am sure you will be able to wax lyrical about all of that. I am interested to know about the relationship between the Commonwealth and the universities that arises from this package. I put it to you that there will be enforceable agreements—contract-like agreements—between the universities and the Commonwealth with regard to teaching, staffing—including industrial relations—and research. Are there any other areas?

Mr Burmester—The agreement will go to the provision of places and the funding of those places. There are other measures that provide incentives, performance funds and so on for other matters, and they are separately dealt with. The agreement goes to the expectation that the Commonwealth has agreed with the university that it will provide a certain number of places across a certain range of disciplines and be funded accordingly. I would have thought that was good and proper public administration.

Senator CARR—Will they be contract-like agreements?

Mr Burmester—They will be agreements.

Senator CARR—Will they be contract-like agreements?

Mr Burmester—It depends on what your definition of contract-like—

Senator CARR—Is that not the term used in the department—‘contract-like agreements’?

Mr Burmester—I have not used that term.

Senator CARR—You have never used that term?

Mr Burmester—No, I call them agreements.

Senator CARR—Are they enforceable agreements?

Mr Burmester—They are funding agreements for which people will be funded for delivering what is expected or funds will be recovered where they exceed the number of places provided on a funded basis.

Senator CARR—Does the minister use the term ‘contract-like agreements’?

Mr Burmester—I do not know. You would have to ask the minister.

Senator CARR—Has there been any decision taken to have contract-like agreements? I would caution you here, very carefully.

Mr Burmester—What do you mean? Is there an agreement?

Senator CARR—Has a decision been taken to have contract-like agreements?

Mr Burmester—The decision in the package is to have agreements.

Senator CARR—Enforceable agreements or not?

Mr Burmester—As I have said, there are arrangements to say that you get funded according to the agreement.

Senator CARR—I put it to you, Mr Burmester, that this is the most interventionist package in the history of Australian Commonwealth relations with the universities.

Senator Alston—You cannot ask a public servant to express what is essentially a broad political—

Dr Harmer—We regard that as a comment.

CHAIR—You are straying into policy, Senator. Keep to matters relating to the department.

Senator CARR—Can you recall a period in your time, Mr Burmester, when the Commonwealth has had greater powers to intervene in the internal affairs of universities?

Senator Alston—That is not an appropriate question to put.

Senator CARR—Can you recall it, Senator?

Senator Alston—That is a political comment.

Senator CARR—Can you recall a circumstance where the Commonwealth has had greater powers to intervene in the affairs of universities?

Senator Alston—If you want a considered response to that, I will get you one. I am not going to engage in a slanging match. You obviously start from a political prejudice. We will respond to it, if you want us to.

Senator CARR—I am starting from the proposition that it is the most interventionist package we have ever seen in this country.

Senator Alston—You have endorsed everything from it being Stalinist downward. I am delighted to hear that you are on the free market side of the argument.

CHAIR—There is probably a more appropriate forum in which to take up those matters, Senator.

Senator CARR—No, I am asking a question.

CHAIR—Could you return to matters which relate to the estimates.

Senator CARR—This is of direct relationship to them.

Senator Alston—You will get into trouble with the faction if you keep pursuing this laissez faire line.

Senator CARR—I would like to know: what is the nature of the enforcement mechanisms, Mr Burmester?

Dr Harmer—I think Mr Burmester has already answered the question in terms of the agreements.

Mr Burmester—The arrangements expected to be covered by the agreements are set out in a package and the other details that we have provided to the sector. They are basically that we

have an agreement on what numbers and discipline mixes the Commonwealth will fund. If they are not delivered, the Commonwealth will not pay for them. If they are exceeded by more than two per cent, the Commonwealth will recover funds at the rate at which a university could benefit from over-enrolling. It is quite clear.

Senator CARR—All right. I will come back to that. How would you compare these contract-like arrangements with the period during the CTEC days or the post-Dawkins profile arrangements?

Mr Burmester—I do not know how they operated in those days.

Senator CARR—In the profile arrangements? You certainly do.

Mr Burmester—I thought you said the CTEC days.

Senator CARR—You said you do not know about that. Fair enough—but what about under the profile regimes?

Mr Burmester—The profile arrangements have evolved in the period over which they have been used. Originally, the profile arrangements were quite specific: the Commonwealth minister had to agree to a profile for a university. That was at a time when amalgamations of institutions were happening. Now the profile arrangements are used for checking on the performance of the institution and it does not go so far into the details of the course offerings of an institution. The shift in policy here is to ensure that the Commonwealth obtains, from the institution it funds, the courses and the places for which it is agreed it will be funded.

Senator CARR—Mr Burmester, I put it to you that you would be the most powerful head of division this country has ever seen. Your capacity to interfere in the internal affairs of the universities goes beyond any other official in your role in the history of the Commonwealth.

Senator Alston—That is a political comment.

CHAIR—Order, Senator!

Senator Alston—Save it for the branch meeting—it is not appropriate to run it here.

Senator CARR—That would be right, though, wouldn't it, Mr Burmester?

CHAIR—Could we return to questions that the officers can answer?

Dr Harmer—Senator, I could not even agree that Mr Burmester would be the most powerful head of division. Some people in my department would be very upset if I agreed with that.

Senator CARR—As higher education division head?

Dr Harmer—He is the only one, at the moment.

Senator CARR—That is right—in the history of the Commonwealth.

CHAIR—You are asking the officers for an opinion, Senator.

Senator Alston—I am sure it is based on very careful research. Can we return to the facts?

Senator CARR—With regard to the table on the back of this document, *Our universities: Backing Australia's future*, how much are the total help arrangements likely to cost the Commonwealth—for various help loans?

Mr Burmester—The table you are looking at is a measure of the fiscal balance of the measures. It is not a reflection of the value of loans that you are asking for.

Senator CARR—That is \$800 million.

Mr Burmester—Down the bottom—I am sorry.

Senator CARR—That is right—\$800 million. How is that being financed?

Mr Burmester—That is the face value of the loans that the Commonwealth expects to write to cover the changes in these arrangements. As such, it would be a financing transaction. Under accounting rules it is actually an asset—

Senator CARR—Yes, I appreciate that.

Mr Burmester—but it would be effectively funded through greater public loans, public debt, than would otherwise be the case because it is a financing transaction.

Senator CARR—I take it that as a result of this package you have authority to effectively borrow that \$800 million to on-lend it?

Mr Burmester—We have authority to provide loans to students in regard to the HECS-HELP, FEE-HELP and OS-HELP arrangements that were announced.

Senator CARR—And that is an \$800 million figure?

Mr Burmester—That is our estimate, yes.

Senator CARR—So you have authority to borrow \$800 million against that item?

Dr Harmer—We have authority to cover those loans. The \$800 million is our estimate.

Senator CARR—Yes, I appreciate that. I am saying that according to your estimates, the Commonwealth will have to cover that by additional public borrowing—is that right?

Mr Burmester—That is right, but it is part of the whole of budget financing arrangements. I am not sure whether it is an increase in borrowings or a reduction in the repayment of existing loans that you are talking about. Treasury has responsibility for making those financial arrangements.

Senator CARR—In your financing, what was the reduction of existing loans? How was that calculated?

Mr Burmester—No, you misunderstood.

Senator CARR—I do not think that I did.

Mr Burmester—I was saying that the Treasury is responsible for the financial transactions of the Commonwealth. Whether the \$800 million is financed out of new borrowings or out of a lower amount of repayment from other parts of the budget surplus to retire public debt is a matter for Treasury.

Senator CARR—Yes, but nonetheless it will be financed by borrowings of one description or another, whether they were taken out at an earlier time or new amounts of money were borrowed to cover that. It is basically borrowings.

Mr Burmester—Yes.

Senator CARR—It is public debt.

Mr Burmester—Yes.

Senator CARR—That is fair enough; thank you very much. In regard to the funding package listed on that page, are those figures in cash or accrual terms?

Mr Burmester—Which figures?

Senator CARR—Major expenditures.

Mr Burmester—Are you talking about the top table? They are in fiscal balance terms, which for most of those items down to the last one, fiscal balance and expense are the same.

Senator CARR—Are they in accrual terms?

Ms Fernandez—They are in accrual terms.

Senator CARR—Can you provide them for me in cash terms?

Ms Fernandez—They are the same.

Senator CARR—Are they exactly the same?

Mr Burmester—Except for the HELP line.

Senator CARR—What is the HELP line? How does that change?

Ms Fernandez—The way that the loan programs are accounted for is different from the way that other programs are accounted for. The fiscal balance that appears here is, in essence, the CPI indexation that is applied to the debt and the 3.5 per cent interest rate that is applied to the other HELP loans.

Senator CARR—Are they in cash or accrual terms?

Ms Fernandez—That is accrual as well. It is fiscal balance—

Senator CARR—So they are all in accrual terms?

Ms Fernandez—That is right.

Senator CARR—Does that change if it was to be—

Ms Fernandez—In cash terms, yes, for the loans it is different from the other programs.

Senator CARR—What is the financial effect of that? What is the difference in figures?

Ms Fernandez—The underlying cash for the loans is quite small, because the underlying cash is the amount of expenditure that goes out, in effect that is not returned to the Commonwealth. So for the HECS debts it is the 25 per cent discount or in future the 20 per cent discount.

Senator CARR—Can you give me those figures? Are they able to be listed?

Ms Fernandez—I cannot give them to you off the top of my head. I can probably find them for you.

Senator CARR—Could you take that on notice and we can compare them?

Ms Fernandez—If you give me a few minutes, I can find them.

Senator CARR—Mr Burmester, these figures are all in calendar years and most of the budget, of course, is worked out in financial years. If we look at the figure for 2007, that is halfway through a financial year—is that a correct assumption?

Mr Burmester—Yes, Senator. Again, the figures for financial year and calendar year are the same because the funding for universities is expensed at the beginning of the calendar year, which happens to fall within the relevant financial year.

Senator CARR—So no money is to be spent in the 2007-08 financial year; it is all in 2006-07?

Mr Burmester—The forward estimates period extends into 2008.

Ms Fernandez—No, it is 2006-07.

Mr Burmester—Sorry, 2006-07.

Senator CARR—When I look at this, I see that the figure goes from 2004 to 2007. Does that figure for 2007 extend into the financial year 2007-08 or is it all contained within the figure for 2006-07?

Ms Fernandez—The figure in the 2007 column on table B of page 47 of the book is the equivalent of the financial year of 2006-07.

Senator CARR—So there is nothing in 2007-08 financial year?

Ms Fernandez—Not from this forward estimates package, no.

Senator CARR—Does it change the pattern of the distribution of expenditure if we were to translate that into financial year expenditures?

Ms Fernandez—Not in terms of expenses. As Mr Burmester said, the expense for the calendar year of 2007 is expensed in the financial year of 2006-07.

Senator CARR—So it makes no difference how it was presented?

Ms Fernandez—No.

Senator CARR—In the 2004-05 period, the total expenditure is \$67.9 million?

Mr Burmester—Yes.

Senator CARR—In 2005-06, it is \$249.3 million?

Mr Burmester—Yes.

Mr ABBOTT—In 2006-07, it is \$486.2 million, and all of 2007—

Mr Burmester—I think we will have to start again.

Senator CARR—Where is the 2007 figure? That is my point.

Mr Burmester—We will have to start again. If you take the figures shown for 2004, which is calendar year 2004, they show up in the current financial year.

Senator CARR—So that should be 2003-04?

Mr Burmester—Yes.

Senator CARR—And none of that will be spent in 2003, will it?

Mr Burmester—No, it needs to be legislated for.

Senator CARR—That is right. I hoped that would be the answer. So you are waiting upon the legislation and the bulk of the money does not start until 2005, because that is when the program really starts?

Mr Burmester—That is right.

Senator CARR—So the parliament basically has 18 months to get this together?

Mr Burmester—I think that would cause some problems, if the parliament took that long to pass the legislation.

Senator CARR—But it does not really start until 2005, does it?

Mr Burmester—A number of the measures start in 2004. Scholarships, regional loading and national priority funding for nursing all begin in 2004. In addition, universities will need some time to plan for the changes that are included in this package.

Senator CARR—I can take the second point as a more serious argument than this paltry sum of money that you are providing in 2004—\$67 million in what is now a \$6 billion or \$7 billion budget. It that how much it is now?

Mr Burmester—That figure is on the Commonwealth contribution, which is about \$4 billion.

Senator CARR—My point is the same: \$67 million in a \$4 billion budget is not exactly going to break the bank.

Mr Burmester—I think the minister would consider that the initiatives identified to start in 2004 are important initiatives.

Senator CARR—Where do I find the amount of money you have set aside for the publicity of this package?

Mr Burmester—There is no separate identified amount for publicity of this package. There will be, and have been, some costs absorbed by the department already in regard to that matter. If the government decides that it needs to do further information work then it will have to consider that. At this stage, there is no provision within these figures for a publicity campaign beyond those activities that are already under way by the department, such as providing each student with a brochure; the tax office providing all debtors with an information sheet as part of their mail-out which comes up shortly; and some other limited distribution of materials to people such as career advisers, principals of schools and the universities themselves.

Senator CARR—You are telling me there is no TV or general propoganda campaign and no polling associated with this?

Mr Burmester—No.

Senator CARR—No market research at all?

Mr Burmester—There is no allocation for those purposes beyond the amount that the department has already identified for the initial launch of this package.

Senator CARR—How much was the initial launch of this package?

Mr Burmester—The total, I think, for the publications was about \$76,000, but that covers some other matters as well.

Senator CARR—What other matters does it cover?

Mr Burmester—I will look that up.

Ms Fernandez—Senator, would you like me to answer the underlying cash question while Mr Burmester is looking that up?

Senator CARR—Thank you.

Ms Fernandez—For HECS, the underlying cash over the forward estimates period is \$13.59 million. For FEE-HELP it is \$1.44 million.

Senator CARR—For OS-HELP?

Ms Fernandez—OS-HELP has no underlying cash.

Senator CARR—So the total is \$14.9 million. Is that right?

Ms Fernandez—Yes.

Senator CARR—Mr Burmester, are you able to tell me what that money is for?

Mr Burmester—Yes. The publication costs for the main budget kit—the higher education kit—that you have seen plus the brochures that will be distributed to students were \$76,416. In addition to that, departmental officials have been travelling around the country holding invited forums for the university sector to explain the changes, and the department has absorbed the cost of establishing a web site.

Senator CARR—So what is the total cost of the roadshow?

Mr Burmester—I do not have a separate cost for that. I only have the travel cost for the whole of the review process—right from the start of the review process.

Senator CARR—So what is the total cost of the review?

Mr Burmester—The total cost of the whole review, including the publicity that I have talked about, is \$1,034,277.

Senator CARR—And that is the whole kit and caboodle for the Crossroads review?

Mr Burmester—That is from the start of the thing and both financial years.

Senator CARR—So it is a million dollar review?

Mr Burmester—Yes.

Senator CARR—In your answer, Ms Fernandez, you said there was no underlying cash effect for OS-HELP. Why is that? Why do all the others?

Ms Fernandez—Because of what the underlying cash is. For HECS it is the upfront discount that the Commonwealth pays on behalf of the students and the proportion of repayments that repays CPI. For FEE-HELP and OS-HELP there is no discount, so it is only the proportion of repayments that is repaying interest or indexation. In the modelling, the repayments with OS-HELP and FEE-HELP were modelled overall against FEE-HELP, so the underlying cash that is showing for FEE-HELP is incorporated.

Senator CARR—So it is picked up in the previous one. Thank you. On the question of publicity, I have here a letter that appears to have been sent out by the minister to school principals. When was that sent out? It is the one concerning our universities backing Australia's future.

Mr Burmester—As I said, I think part of the package that we have done included distribution of materials to school principals. I am not sure when that occurred or what was involved in that; I do not have the details on that.

Senator CARR—You do not know when it was sent out?

Mr Burmester—It was handled by our communications area, I believe.

Senator CARR—I see. Can you find out for me when that was sent out? I understood it was very recently.

Mr Burmester—It was certainly recently; it was since the budget.

Senator CARR—Oh yes, but I am talking the last couple of days; is that right?

Mr Burmester—That could well be. My advice is that they were included in the arrangements; whether it has happened or not, it would have been quite recent.

Senator CARR—What was the cost of the letter and the brochure? There is a brochure attached to it as well, isn't there?

Mr Burmester—I have only got the total cost for the student brochures for public distribution, and that includes the printing costs of those and the distribution costs.

Senator CARR—What is that going to cost the Commonwealth?

Mr Burmester—That is \$36,000 of the \$76,000. I am pretty sure that number of brochures, however, includes the brochures that the tax office will provide in their future mail-out to all existing HECS debtors. They have a mail-out each year telling each student what their HECS balance is and they will include a brochure in that for us.

Senator CARR—Are they same brochures; are we talking about two brochures? This is one that is called information for students: are there two?

Mr Burmester—I am not sure. I will have to check.

Dr Harmer—Is this the one?

Senator CARR—That is as I understand it—I can't read it that far away, but information for students is what the subheading is.

Dr Harmer—Higher Education Reforms – Information for Students. I think that is the only one.

Senator CARR—I think that is the only one.

Senator CARR—That is \$36,000 worth there, is it?

Mr Burmester—There were a million of them.

Senator CARR—A million; right. So we are distributing a million pamphlets.

Mr Burmester—I am not sure how many HECS debtors we currently have.

Ms Fernandez—About a million.

Senator CARR—You are saying there were a million pamphlets prepared. So are sending them to every university student, are we?

Mr Burmester—We are sending them to each existing HECS debtor so that they understand the arrangements; the fact that they are grandfathered under these provisions.

Senator CARR—Why are you sending it to school principals, then?

Mr Burmester—That was also an important part of the distribution so that principals and careers advisers, for example, would understand the arrangements for their students who are in year 12 this year as well as into the future.

Senator CARR—How many school principals have you sent it to?

Mr Burmester—I do not have that figure.

Senator CARR—There are about 10,000 schools in Australia, aren't there?

Mr Burmester—I do not know.

Senator CARR—It is unusual for the Higher Education Division to be sending out material to schools, isn't it?

Mr Burmester—We have sent it out for a purpose which I have just explained.

Senator CARR—Is the postage cost included in this \$76,000?

Mr Burmester—The brochure and the distribution are included in that \$36,000 component.

Senator CARR—So it includes postage?

Mr Burmester—It just says distribution. I presume somehow they were distributed.

Senator CARR—All right. You are not able to give me a separate line item on the officials' travel, the road shows.

Mr Burmester—Not for just the road shows.

Senator CARR—What can you give me for the officials for the cost of the whole review?

Mr Burmester—Again, I would have to pull officials out. I do not have that level of detail here with me.

Senator CARR—What level of detail do you have?

Mr Burmester—The figures that I have got here have a salary component; non-departmental officer expenses—presumably, that is Bob Goddard; the information services that we have used; travel, which is for the whole of the review process, not separated into official and—

Senator CARR—What was the travel cost?

Mr Burmester—The total travel cost is \$74,860.

Senator CARR—Could you give me a copy of that budget you have there? It saves us going through each item. It would save me a lot of trouble. How many other letters do you

intend to write? You have a million pamphlets sitting there waiting to go—how are they determined?

Mr Burmester—My understanding is that the tax office will include a brochure to all current debtors that they are writing to, and will be writing to, in the near future. I think they send out their statements pretty much now.

Senator CARR—How many people does that cover? Is there a figure there?

Mr Burmester—I am just looking for it.

Senator CARR—Did you table a hard copy of the triennium report in the parliament?

Mr Burmester—I would trust so.

Senator CARR—So would I. I do not remember getting one in my office. I can usually tell by the colour of the covers, and I am not certain that one arrived. Can you get one for us, please?

Mr Burmester—The numbers of HECS debtors at June 2002 was 1,115,000.

Senator CARR—So you have not printed enough pamphlets.

Dr Harmer—I am sure he can get some more if he needs them.

Senator CARR—I have no doubt you can get some more.

Mr Burmester—It will be like funding reports. We can get enough copies.

Senator CARR—That is right. We will find them littered across the streets of this great country. Are you intending to print some more?

Mr Burmester—I am sure if it is necessary we will provide the requisite number.

Senator CARR—So you do not really have a budget then, do you? There is an unlimited amount of money available for publicity now in the department?

Dr Harmer—No, absolutely not.

Senator CARR—I am pleased to hear that. What about current students: are you sending them a pamphlet as well?

Mr Burmester—They are included in the current debtors.

Senator CARR—Will the pamphlets be distributed in bulk numbers at universities?

Mr Burmester—There will be some distribution to universities but I do not know the details of that distribution.

Senator CARR—We have 10,000 schools. Are we sending multiple copies to the schools or are we just sending one to the principal? He can sit in his office and read it and pass it around the staff room.

Mr Burmester—I am not sure of the numbers to any individual school or principal.

Senator CARR—And the careers officers, presumably, will have to get multiple copies.

Mr Burmester—I think we would encourage them to look at the web site as well.

Senator CARR—It is a modern department, isn't it? A million is nowhere near enough, is it?

Mr Burmester—A million for what?

Senator CARR—A million pamphlets. You will obviously need to do a lot more. I am just wondering what that is. Have you got any other plans, Mr Burmester, in terms of the publicity arrangements?

Mr Burmester—No. The arrangements have been for the initial distribution of materials associated with the budget announcement. Whether the government decides that it needs to provide further public information will be a matter for it to consider.

Senator CARR—Will these be sent out individually in the mail to a million debtors?

Mr Burmester—They will be included in a letter that the tax office sends to debtors every year with an update of their HECS.

Senator CARR—Will that cost be carried by the tax office?

Mr Burmester—The cost of including them in an existing set of documents would be fairly small, I would have thought.

Senator CARR—Is the postage paid by the Taxation Office? It is not part of the \$76,000?

Dr Harmer—As I understand it, the tax office will be sending them out with a letter that they already send, so there will be no additional postage.

Senator CARR—How many people actually go to universities at the moment?

Mr Burmester—The total numbers of enrolments—

Senator CARR—I understand the total numbers in the system—I can read the triennium report. I do not remember seeing a figure in there about the total numbers of Australians who at some point go to university.

Mr Burmester—I do not have that figure with me.

Senator CARR—Is it about 50 per cent now?

Mr Burmester—I think the figure that is quoted at the moment is in excess of 40 per cent. I do not remember a 50 per cent figure being used.

Senator CARR—Would you have that handy? It is probably in that suppressed report. If you could dig that up you would find it helpful on this question too.

Mr Burmester—I am sure that we could find out whether the department has a current figure for the likelihood of lifetime participation in higher education.

Senator CARR—That would be the sort of thing that that report would cover.

Mr Burmester—It was an historical view of the sector over the last decade. Whether it addressed that I would have to go and have another look at it to see.

Senator CARR—Whoever is looking at it for you I am sure would be able to assist us with that matter. I just noticed that the Prime Minister is now talking about 30 per cent of boys and girls entering universities. Does that actually reflect the percentage of the Australian

population that attend universities in their lifetime? Would it not be much higher than just year 12—

Mr Burmester—I think the 40 per cent figure that I have in my mind is lifetime likelihood of undertaking higher education. The direct transfer rate from school to university is a different figure and obviously a subset of the 40 per cent. I do not have a precise figure on that with me.

Senator CARR—Would you take that on notice for me? Would you be able to get that relatively quickly?

Mr Burmester—Yes.

Senator CARR—Thank you. I ask you to go to the indexation arrangements. What are the current indexation arrangements built into this package?

Mr Burmester—The figures that are included in the budget package are based on the current indexation arrangements of the standard cost adjustment factor used for higher education, which has been used for a number of years. That has just been continued into the future, with all the measures announced in the budget sitting on top of that indexation.

Senator CARR—Is it still about 2.2?

Mr Burmester—It is of that order. It is a Treasury parameter that they issue from time to time and revise according to their economic modelling.

Senator CARR—Do you think that current parameter that has been used is in fact a full indexation of grants or is it partial indexation?

Mr Burmester—It is the indexation that the government has determined will apply to higher education funding.

Senator CARR—If we compare the indexation rate for universities with that used for schools, we see a marked difference: 5.6 versus 2.2. Why do you think that is? How does that come about?

Dr Harmer—I do not think Mr Burmester can answer that. That is a government decision.

Senator CARR—Is it true that next year non-government schools will be receiving more Commonwealth assistance under the PBS than universities?

Dr Harmer—I do not know the figures, but if they are in the PBS, they would be reliable.

Senator CARR—There is a review under way at the moment of the cost indexation arrangements within the schools. Is there a review under way within the higher education division about indexation?

Dr Harmer—I am unsure of the review you are referring to in relation to schools.

Senator CARR—There is one in relation to indexation arrangements in schools. They are called SPPs.

Dr Jarvie—Are you talking about the quadrennial funding arrangements?

Senator CARR—It is a review specifically into indexation arrangements and SPPs—special purpose payments.

Dr Jarvie—I think we should pick up on this in the schools part.

Senator CARR—I am asking if there is a review in the higher education division about the indexation arrangements for universities.

Mr Burmester—No.

Senator CARR—Will you be feeding into the review into the schools?

Mr Burmester—No, Senator.

Senator CARR—Why is that? Are you not concerned about the disparity between the two indexation schedules being used?

Mr Burmester—Our indexation arrangements have been settled for some number of years and they are not up for review.

Dr Harmer—To go back to the schools, I am not aware of any review of indexation for schools. It may be that I am not aware of it. We can clarify that when—

Senator CARR—That is right. I have some questions on notice in regard to the arrangements, and I asked you earlier in the piece about SPP reviews. You are not aware of an indexation review for schools?

Dr Harmer—I am not. If we get to schools at some point in the hearings we will have the schools people here, and they will know the answer to that very quickly.

Senator CARR—Yes. Peter Karmel points out that the overall funding for universities will rise by about one per cent next year under the proposals and three per cent a year if we go out to 2007. Is that right?

Mr Burmester—I am not sure what basis he is using for that.

Senator CARR—Have you seen page 5 of his paper?

Mr Burmester—I have not got a copy of his paper with me.

Senator CARR—He talks about overall funding and the cost escalations.

Mr Burmester—It depends what basis he is using—whether he is talking about real increases and what the basis is of the index he is using. I do not know the detail.

Senator CARR—Could you take it on notice for me, please?

Dr Harmer—What is the question?

Senator CARR—I would like to know whether Peter Karmel's figures are correct—in his recent paper on page 5 where the cost escalation is discussed—when he suggests that the overall funding for universities will rise by only one per cent next year and under the package proposals by three per cent in the years 2005 to 2007. He also then goes on to suggest that the Commonwealth funding for schools would go up by a figure of 6.6 per cent. I think that is probably an exaggeration.

Dr Harmer—Given all the work that the higher education division and the rest of the department, as we discussed yesterday, have over the next 12 months, I am reluctant to take on notice questions that will require my people to analyse reports done by universities. I will try to be as helpful as possible—

Senator CARR—I appreciate that. That is fair enough. You can answer this question: what is the real increase in funding, excluding indexation, in this package over the next three years?

Mr Burmester—We will take that on notice..

Senator CARR—I want a real increase in funding, obviously. There is no point in giving it to us in nominal terms.

Mr Burmester—In fact, the budget papers reflect that there is \$1.46 billion in additional funding, over and above indexation, in this package. If that is a measure of it—and I have not got that as a percentage figure—then that would be the real contribution if that figure is out-turned, as are the underlying continuing estimates.

Dr Harmer—We will provide you with the figure.

Senator CARR—Thank you. I notice the indexation on the operating grants is said to be 7.5 per cent over the life of the package. Is that right?

Mr Burmester—That is the increase, yes.

Senator CARR—That is 2.2 per cent per annum?

Mr Burmester—It is in 2.5 per cent tranches over the next three years.

Senator CARR—Is that conditional?

Mr Burmester—Yes.

Senator CARR—What is it conditional on?

Mr Burmester—As specified in the government's policy paper, it is conditional on the university adopting the national governance protocols and on complying with Commonwealth workplace policies.

Senator CARR—Have they been written?

Mr Burmester—The governance protocols are included in the booklet.

Senator CARR—No, have the policies been written with regard to the industrial relations policies on universities?

Mr Burmester—Not as yet. The government's intention was announced in the policy. The specification of that requirement is being worked on at present and will be announced shortly.

Senator CARR—So when will the legislation outlining all of this be ready for us to have a look at?

Mr Burmester—The legislation is also being worked on at the present time. We are advised that the OPC cannot guarantee that it will be introduced in the current sitting and it might have to wait until the spring sitting.

Senator CARR—What is the problem? Have there been problems with the draftsmen?

Mr Burmester—It is a rather large and complex package and they have some other work before them. They are endeavouring to get the bill prepared as quickly as possible, but they will not guarantee that it will be available for this sitting.

Senator CARR—Fair enough. Frankly, I am not surprised. We are talking about a new HEFA, aren't we?

Mr Burmester—Yes, that would be the intention.

Senator CARR—That is not an amendment bill; we are talking about a whole new bill?

Mr Burmester—That would be the intention.

Senator CARR—What month do you think this will come back from the draftsmen? What is your expectation?

Mr Burmester—Obviously, we are in their hands. If it is not available by the end of this current sitting, it will be ready for the start of the next.

Senator CARR—Will it be six to eight weeks?

Mr Burmester—Yes.

Senator CARR—Do you think it will be ready in about eight weeks time?

Mr Burmester—Yes. That is when it will be available to the parliament. When OPC will be finished with it, I do not know.

Senator CARR—I understand it will be when the session starts. You surprise me sometimes, but I am just wondering when you expect to have a copy of the bill.

Mr Burmester—As soon as we can, but they are saying that they are endeavouring to meet the current arrangements. We have not yet received a copy of the bill; if it slips, we are in their hands.

Senator CARR—That is fair enough. Mr Kriz is about to join us. He is always very informative.

Mr Kriz—The process of drafting legislation, certainly with a big change like this—which will probably be in multiple bills—involves a number of drafts going backwards and forwards between the Office of Parliamentary Counsel and the instructing officers in the department. So, in terms of when we will have the bill, the bill will not be finalised, if you like, until the minister signs off on it, and it is after that stage, on introduction, that it will become a public document. In terms of when we will have it, we will be getting drafts progressively between now and when it is lodged in parliament.

Senator CARR—I know it is not unusual for governments, even after they have received a bill and introduced it, to actually propose their own amendments. I am not necessarily saying that that will be the final call on it, but you would expect that, say, by the end of August or the beginning of September you would have a bill?

Mr Kriz—We would be hoping—subject, as I said, to the minister signing off on it—that the bills would be introduced at the beginning of the spring sittings, not later. The intention is to try to get the bills passed, not not passed.

Senator CARR—That is another issue. How long it takes the parliament to deal with it is an entirely separate question, but the process does not actually start until we see a bill.

Mr Kriz—Absolutely.

Senator CARR—That is not an unreasonable proposition to put to you, although we could rely upon what the government has already decided, but we have to translate that into a piece of legislation.

Mr Kriz—That is happening now. Instructions have been issued.

Senator CARR—So we have a new HEFA bill, and that will be a fairly major piece. Do you have any idea of the size of it?

Mr Kriz—No. As I said, the instructions have been issued. The drafting instructions were issued after the budget announcement, obviously, and the drafting process has commenced. In terms of how long it will take, it will be long enough to put into effect the government policies.

Senator CARR—So there is a HEFA bill, but that is a substantive piece of legislation.

Mr Kriz—Absolutely. The idea is to basically get rid of HEFA and have the new—

Senator CARR—So it is a repeal bill?

Mr Kriz—Yes. The final way it will look depends on the Office of Parliamentary Counsel and the minister in terms of how many bills will be put forward. But the idea is to repeal the current legislation and to have new legislation in place to put into effect the new policies that Mr Burmester has been canvassing.

Senator CARR—So we will need a repeal bill and the new HEFA bill, presumably. What other pieces of legislation do you anticipate will need to be examined to give effect to this package?

Mr Kriz—I do not know. You could be looking at four or three bills or whatever. But the point is that there will be enough law to put the policy into effect—no more, no less.

Senator CARR—I appreciate that. I am trying to work out what the size of the legislative package will be.

Mr Kriz—That is difficult to answer at the moment because we do not have the drafts back yet.

Senator CARR—But there could be three or four bills?

Mr Kriz—Yes.

Senator CARR—Can you give me an indication of what broad areas those bills will cover? Apart from the HEFA bill, what will the other bills involve?

Mr Burmester—Wherever possible, the government has flagged in its policy statement its intentions with regard to legislation. It has indicated that there will obviously be some substantial changes to the funding act. In addition to that, it has identified that it will be amending the acts with regard to its own higher education institutions—the AMC and the ANU. It has also indicated that it will take the opportunity to streamline some aspects of the ARC Act. It has also indicated that it will be seeking an amendment to the Workplace Relations Act.

Mr Kriz—With regard to the Workplace Relations Act, a whole package of transitional issues and consequential issues will have to be dealt with.

Senator CARR—So there is a series of measures with regard to industrial relations?

Mr Kriz—Normally, OPC would put all the transitionals and consequentials into one bill.

Senator CARR—But this is a separate act entirely. You cannot put that in the one bill?

Mr Kriz—The normal approach with the transitionals and consequentials is to have them in a separate bill so they do not clog up the legislation that will be used into the future.

Senator CARR—I am not arguing the toss about that. I think that would make sense. Mr Burmester, you were mentioning another bill?

Mr Burmester—I was reminded that we have the voluntary student unionism bill.

Senator CARR—That is right. The VSU bill is the top priority of the government. What else do we have? Is there anything else?

Mr Burmester—That is all that I can recall at this stage. I am pretty sure that is the full list.

Senator CARR—What about the public research agencies? Do we not need legislation for any of those?

Mr Burmester—The announcement in the package is that there will be a number of reviews, including one of collaborative arrangements between public research agencies and universities. That is a review at this stage; it is not a set of proposals on how that collaboration will occur.

Senator CARR—With the changes to the AIMS Act, for instance, on governance, won't there be a requirement there?

Mr Kriz—As I mentioned before, the number of bills has not been determined yet. Legally, the only requirement would be for a taxing bill to be a separate bill. Ultimately, all of it could be lumped into one bill. It is an issue of presentation and of ease of usage into the future and so on. But all the issues that are identified in the policy—

Senator CARR—So you saying that you could amend the ANU Act by an amendment to the HEFA? Is that what you are saying?

Mr Kriz—Absolutely. The parliament can do, as I said, whatever it likes subject to the Constitution. The constitutional requirements have the restriction that taxing bills are to be dealt with separately. But subject to that, it is sort of open slather. Of course, that is not the way that OPC or governments generally operate because you want to have some sense of what a particular piece of legislation deals with. But the details of how many there will be have not been worked out yet. We do not have the drafts back yet to give you some sort of an idea of the size of the package.

Dr Harmer—I think we have probably given the flavour of the possibilities. At this stage, the conclusion is that we are not clear at all about how many bills there will be.

Senator CARR—Why is it proposed to have a separate VSU bill? Why would that be necessary?

Dr Harmer—I cannot answer that, Senator.

Mr Kriz—If that does happen, the government decide on how they wish to present the legislative package. It is their legislative package, as I said, whether it is one bill or a number of bills.

Senator CARR—This, of course, will be just the initial set of bills. Is it the case that there is the possibility that other bills will arise from the various reviews that are reporting in December?

Mr Burmester—Potentially, yes.

Senator CARR—So we could, in fact, be tied up with education and research bills for a good while over the next year?

Mr Kriz—This is the system. The government can only put into effect its policy decisions in these areas by—

Senator CARR—I am not arguing the toss that you should get legislative approval for what you are doing. That is not the issue. I am just trying to get a fix on when the department sees that this can be done.

Mr Kriz—I can give you an idea about that. The plan in respect of the package is to put into effect the policy decisions announced in the document we have been discussing. The plan is to introduce at the beginning of the spring sittings all of the legislation that is necessary to put into effect the whole policy. That is the intention at the moment. Unless the position changes or the government decides to take a different approach, that is the plan we will be following.

Senator CARR—We will get a chance to look at them in September perhaps?

Mr Kriz—We would be seeking to do it earlier, but it is dependent upon government, obviously.

Senator CARR—But you cannot guarantee that it will be ready at the beginning of the session?

Dr Harmer—I do not think we are making any headway here: Mr Kriz does not know precisely when the legislation will be introduced.

Mr Kriz—It is not a decision for the department. The government has to decide when it will introduce its legislative package.

Senator CARR—I appreciate that you have answered a series of questions for me regarding the effect of this package overall—E577, 586, 587, 592, 596 et cetera. They all went to the issue of the financial sustainability of the system. I was wondering if you could help me with a few bits and pieces that seem to follow on from what you were saying. I am particularly interested in the breakdown of the effects of this measure on individual institutions. How long will it be before you have that material on the course mix ready?

Mr Burmester—We are working on it as fast as we can. It will be issued as quickly as possible, but it is taking some time.

Senator CARR—Have you already provided to some universities the effects it will have on them?

Mr Burmester—Some vice-chancellors were very insistent on getting some preliminary data, and some was provided to a number of vice-chancellors.

Senator CARR—Which universities?

Mr Burmester—I do not know which universities have been provided with preliminary data. I just know that some vice-chancellors met with staff from the division and were given some information.

Senator CARR—Why is it that some universities but not all universities have this data?

Mr Burmester—We are trying to get a full set of data issued to all universities simultaneously.

Senator CARR—Can you provide us with the preliminary data?

Mr Burmester—We have done that for only a very small number of institutions. We believe it would be better to get the final correct data out rather than perpetuate any preliminary data.

Senator CARR—You cannot tell me when that will be?

Mr Burmester—It will be within weeks—not a long period.

Senator CARR—You have said that you will take that on notice and provide the committee with a copy of that data?

Mr Burmester—Yes, Senator.

Senator CARR—That is, the institutional breakdown—

Mr Burmester—Yes. We will provide you with the information that each institution has been provided with.

Senator CARR—Thank you very much. How do you intend to distribute the transitional funds that have been made available so that no university will be worse off?

Mr Burmester—As I indicated in an earlier question from Senator Stott Despoja, the overall net impact on any one institution is difficult to determine. It will only be on the net basis that we would be looking at compensating those universities where there was any adverse overall impact. There will be a limited number of those institutions, if any. We have not actually ascertained that anyone will be behind as a result of these measures. When that is modelled we can have a look at that and allocate the \$12 million that was provided in 2005 to cushion the adjustment that some universities may need to make.

Senator CARR—Why have you only done it for one year? Isn't the impact for several years?

Mr Burmester—No. The funding base of universities on a fair and equitable basis will occur in 2005. The new model will ensure that a university offering the same discipline will be funded on the same basis. The contribution from the Commonwealth to a student in Perth or Western Sydney will be the same. That is the basis of the new arrangement. Some universities may not be currently funded at the appropriate level; it will take a while for them to adjust. Since the announcement they have been aware of that and they will have until 2006 to adjust to the new circumstance.

Senator CROSSIN—Which universities are they, Mr Burmester?

Mr Burmester—That is the modelling that the senator has asked us for. It will be those universities that are currently overfunded relative to other universities. It is those universities which have, up until now, been paid for a discipline mix that is a richer discipline mix than the one that they actually deliver.

Senator CROSSIN—Do you have a list of those with you?

Mr Burmester—Not as yet. As I said, that is only one component. There is a whole range of interacting components that will determine what the final relative position of funding is with regard to any individual institution. As I said before you came into the room, the universities themselves will have a role in determining the HECS charges for their students.

Senator CARR—Which universities do you think are going to lower their HECS fees?

Mr Burmester—That is up to the universities themselves.

Senator CARR—Do you have any yet who have agreed to that?

Mr Burmester—I believe that some vice-chancellors have given indications that they may not increase their fees.

Senator CROSSIN—For this month, maybe.

Senator CARR—That is good. How many have told you that they are going to actually reduce their fees?

Mr Burmester—That is up to the universities. I am just reporting that some vice-chancellors have made comments to that effect. Beyond that, we do not know what universities will be doing.

Senator CARR—Have any of them told you that they are going to reduce their fees?

Dr Harmer—It is most unlikely that at this stage we would get definitive comments from vice-chancellors about what they are going to do with their fees. They need much more information.

Senator CARR—In terms of the financial impact on the system, could you turn to the answer to question No. 587.

Mr Burmester—When did you ask No. 587?

Senator CARR—It was on 13 February.

Senator CROSSIN—While you are looking that up, I will ask a question. I understand that your department has invited universities to briefings around the country, Mr Burmester, to actually explain the package and the implications of this package. Is that correct?

Ms Fernandez—That is correct.

Senator CROSSIN—How can this happen if you are still trying to produce some modelling about the impact of this on universities? What are you telling them when you are still trying to work through some of this yourself?

Mr Burmester—We were explaining the policy announced in the budget statement and the policy statement by the minister, and what the components of that were. We were not

providing modelling to individual institutions about the specific impact on their current institution. We were providing them with information about what the measures were, how they would be implemented, and what was involved in those measures.

Senator CROSSIN—Institutions who went to that briefing still do not know exactly in detail how this will affect their institution at this point in time. Is that right?

Mr Burmester—Some of those institutions could have used their own data to do some of their own modelling, but we have not provided a Commonwealth basis for them to do that modelling. We will do that but, as I said, they are also the players in this, and they could well have gone out and done some modelling themselves.

Senator CARR—Do you have the answer to question No. 587 there with you?

Mr Burmester—Yes.

Senator CARR—The question goes to the operating surplus or the deficits for the four largest universities in the country. It shows that the University of New South Wales, the University of Sydney and the universities of Queensland and Melbourne together had just under half the total operating surplus for the entire sector. Is that true?

Mr Burmester—That is correct.

Senator CARR—What implications do you think that has in terms of the financial viability of the system?

Mr Burmester—I think we have said in this forum on a number of occasions that we believe the overall financial viability of the sector is quite sound. There are a number of institutions that, from time to time, have operating deficits that we are concerned about, or other financial indicators that would lead us to be concerned about individual circumstances. But, as a sector as a whole, a number of indicators of financial viability show that it is quite sound, such as the one you have pointed to, operating surplus, the amount of cash and investments held, and the fact that the capital base of the sector is increasing. So, in those regards, the fact that the four large universities have substantial surpluses is really a matter for them to determine, and how they allocate and utilise those resources is for them to determine. It could be a strategy—they may want to build up their reserves for future investment activity.

Senator CARR—If I look at the similar figure for research funding based on the latest triennium report, the four megafauna universities that are referred to here have in excess of 40 per cent of the research funding as well. This does not include the NHMRC funding. If I look at the Group of Eight in that, I see that 60 per cent of the research funding is going to the Group of Eight universities, and that includes the four ARC Discovery programs—the block grants, RTS. The universities of technology get 12 per cent as do the blue gum universities, and the regionals are about the same. What measures here could I look to that would even up the score? Where would I find evidence to say that those at the bottom rungs of the ladder here would be able to secure greater financial advantage?

Mr Burmester—I think you are cutting the question too finely in that the package announced goes predominately to the teaching and scholarship activities of the universities. The research activities of universities are not addressed, to any great extent, within the current package. A number of reviews have been announced, so they may be considered by

government in the future. I think trying to look at whether institutions are successful in terms of research performance and therefore successful in obtaining performance based research funds is quite a distinct issue from the funding arrangements for teaching and learning within the institutions announced in the package.

Senator CARR—Yes, but you cannot separate—

Mr Burmester—But there are a number of measures that would go to universities in the package, and the regional funding that goes to regional institutions would certainly be one of those measures. The inclusion, for the first time, of a significant performance fund for teaching, where all universities could compete on the quality of their teaching outcomes, would also contribute to those universities that may not be on the list that you have identified as—and I think this is the term you used—research universities.

Senator CARR—I called them the Group of Eight. I also used the term ‘megafauna universities’.

Mr Burmester—Yes, that was the word I was trying to think of, as opposed to blue gum, which I must say I have never heard of.

Senator CARR—You have never heard of blue gum?

Mr Burmester—No.

Senator CARR—In this package, there is \$188 million allocated competitively for excellence in teaching. There is \$8.2 billion for research over four years. It is hardly what I would call an equal distribution or a balanced approach to funding. Would you agree with that figure?

Mr Burmester—I am not sure where you got the \$8.2 billion.

Senator CARR—Let me go through it. How much is spent per annum on Commonwealth funding for university research? Let me remind you to save us a lot of mucking around. It is \$2.6 billion. If we multiply that by four, we get a bit more than \$8 billion. But in your proposition that you are putting to us, the amount allocated for competitive teaching is, I think, \$186—

Mr Burmester—I said that was part of the package that went to the teaching and learning side of universities which, as you know, provides an additional \$1.46 billion over four years compared to your \$2.2 billion over four years.

Senator CARR—No, \$8 billion. In fact, it is more than \$8 billion. It is 2.6 by four. That is more than eight.

Dr Harmer—Where was the 2.6?

Senator CARR—That is the amount of money spent on Commonwealth research, according to the Australian Research Council in their submission to the Crossroads last year. Is that figure wrong?

Dr Harmer—I do not know. I was just checking where it came from.

Mr Burmester—That would be about the order of magnitude, because you are including the ARC competitive process in that.

Senator CARR—That is what the Commonwealth spends on university research. I am saying to you that there is this enormous imbalance in the funding arrangements at the moment between regional universities and the Group of Eight. I am wanting to see where in this package I will find measures to improve the sustainability of those universities that are not part of that mega fauna. You have pointed me to this additional regional funding of \$188 million. Between how many universities? How many universities will get access to \$188 million?

Mr Burmester—It would be those universities that are in the new funding system. I think there are 38 institutions covered by the Commonwealth grants scheme.

Senator CARR—That is right. They have all got a regional campus. They will get it at different rates. But what does it amount to? Maybe half of those will get access to this amount. That is between 20 of them. It is a piddling amount of money by comparison to what the mega fauna are getting out of the Commonwealth funding pool at the moment. In fact, all I see in this package in terms of the competitive approach that you are taking will strengthen those mega fauna universities—not even up the funding arrangements.

Mr Burmester—The package goes to the teaching and learning aspects of university provisions. We have not unsettled or changed the research policies in this package. So the benefit and income that universities derive from that currently exists. We have not changed that. But the government has provided significant new resources to the other side of universities.

Senator CARR—How much has it provided?

Mr Burmester—\$1.46 over four years.

Senator CARR—But the additional regional funding for teaching is how much?

Mr Burmester—The regional loading is to support those institutions providing places in regional campuses. It is \$122 million.

Senator CARR—At the same period, it is providing \$10.2 billion, the bulk of which goes to the big research intensive universities. I am saying that this package will extend the differences between those that are resource rich and those that are resource poor.

Dr Harmer—We could not agree with that.

Senator CARR—There is no real balance here, though, if you are just dealing with the teaching and you are not dealing with the research. Would you agree that you are not dealing with research at this point in the package?

Mr Burmester—We have not changed the policies in regard to research.

Senator CARR—If I look at the cash and investments of universities currently—that is E592—24 of the 38 public universities are experiencing increases in their cash and investments, but 14 have experienced declines. Would that be right?

Mr Burmester—I have not counted them on that basis, but if you have looked at the table we have provided—

Senator CARR—I have. Would you take it on notice and confirm that of the 38 public universities 14 have experienced declines in their cash and investments.

Dr Harmer—Is that what the table indicates?

Senator CARR—Yes. If you look the total of \$4.8 billion which is indicated in that table, cash and investments, 74 per cent of that is accounted by just five universities: the University of New South Wales, Sydney, Melbourne, UWA and the ANU. What I am proposing to you, Dr Harmer, is that there is a huge amount of diversity in the system at the moment, but what we are seeing here are no real measures to protect the weaker universities.

Dr Harmer—That to me sounds like a comment rather than a question and it is not a question that I can agree with.

Senator CARR—Can you show me where in this package I can find measures that will seriously challenge that distribution of resources that are currently indicated by the answers that you have provided me and I have listed here today?

Mr Burmester—The package goes to the sector and provides increased fundings across the board to universities. It creates a transparent and equitable base for the funding of student places between universities; that is what this package does. In terms of the comparison that you are drawing out of the answer from 592, I have to point out that this on a whole of university basis; it is not in relation to Commonwealth funding contributions. Some part of those universities you have identified as having significant investments and cash may well be deriving income from non-Commonwealth resources.

Senator CARR—I acknowledge that.

Mr Burmester—I think it would be unrealistic, on the basis of a whole of university set of accounts that depend on a range of income sources, for the Commonwealth to consider policies that go to redressing differences in income and history for a range of universities.

Senator CARR—It strikes me that there are some universities better able to cope with a deregulated environment, who can draw upon 150 years of public investments, for instance, and it allows them greater access to private sources of income. I can then go through the argument a little further in relation to the situation with regard to expenditure over the last 10 years—it is E702. You will be able to confirm for me that the figures there show that the expenditure over the last 10 years has increased by 103 per cent but revenue has only gone up by only 87 per cent. Do you want to update those figures?

Mr Burmester—No, I cannot update those figures, because they are based on the last financial year for which we have the accounts of the universities.

Senator CARR—For instance, I look at the academic salaries, which have gone up by 68 per cent, the overall system-wide expenditure; staff salaries by 83 per cent—that is other staff—and other expenditure by 165 per cent. What we have is that some universities are able to meet those challenges much more comfortably than others. We look at the income from Commonwealth grants; it has gone up 36 per cent. The greatest sources of additional revenue have been fees and charges, which have risen by 276 per cent. These are all contained in the information you have provided me with, would you agree?

Mr Burmester—I would imagine that a large component of that 276 per cent increase relates to overseas student fee income, which I think you accept and generally is accepted as a very positive impact on universities.

Senator CARR—But I am saying that some universities are able to draw upon that more easily than others. That is true, is it not?

Mr Burmester—I would say that some universities have been more successful than others.

Senator CARR—Yes. So, if we get down to it, what we have got here is a very radical package. You would agree this is a very radical package, Mr Burmester?

Dr Harmer—I think Mr Burmester would agree it is a very comprehensive package.

Senator CARR—You would not describe it as radical, Mr Burmester?

Dr Harmer—We would probably allow the minister to describe it in his way, and he has, very successfully.

Senator CARR—He has described it as very radical. In some would say very daring. Some would say that it even perhaps provides Mr Burmester with the capacity to get into the bowels of the universities in a way unparalleled in the history of the Commonwealth.

Dr Harmer—I am sure he is flattered about being described as the most powerful division head.

Senator CARR—I can just imagine him with big rubber gloves on, wandering around the universities. I can just see it now.

Dr Harmer—Dr Jarvie is disappointed that she is not also described as the most powerful deputy secretary.

Senator CARR—Are you going to do the work? Are you going to be the most powerful public servant in the history of the Commonwealth—

Dr Jarvie—I would be very surprised if that was ever the case.

Senator CARR—getting into the bowels of the universities. Are you putting your hand up for that job? Is there is a queue forming on the department on this?

Dr Harmer—There probably is not, at the moment.

Senator CARR—Once they have heard my description, they will jump at the prospect. It will be a performance indicator.

Senator CROSSIN—Are you asking questions?

Senator CARR—I have not quite finished this. If I go through it, you are saying you have basically separated out teaching from research in this package. That is correct, isn't it?

Mr Burmester—There are funds provided on the basis of offering of places and separately there is a range of research performance based funds continuing in the sector. How the university deploys those funds that it receives from either of those sources is up to the university. Of course, the third stream of funds are those from the student contributions that the university itself sets.

Senator CARR—How long before we will see teaching-only universities in this country?

Mr Burmester—That is just totally hypothetical and speculative. There is no policy requirement that any university become teaching-only in this package.

Senator CARR—Is it possible under this package?

Mr Burmester—A university could choose to go down that route if it so chooses. It is up to the university. It could withdraw from competing for ARC grants and for the other performance based research funds. But I would think that would be very unlikely.

Dr Jarvie—No vice-chancellor has indicated to us that they have this sort of strategic approach.

Senator CARR—That is the word ‘choose’ in the package. It says they may choose to operate in that way. Isn’t that what it means?

Mr Burmester—The part of the report you are referring to is actually saying that in competing for the performance based teaching funds they could choose to focus on that. It does not say ‘choose to exclude research’. I think you are reading far too much into that statement.

Senator CARR—It is ‘focus on’. Is the acceptance of these teaching grants conditional on not seeking research grants?

Mr Burmester—No, certainly not. There are requirements that a university would have to meet before qualifying for teaching funds but that is not one of them.

Senator CARR—So their focus will not necessarily be to the detriment of their research effort. They can do both, can they?

Mr Burmester—Yes.

Senator CARR—You would agree that some proposals here are a quite radical industrial relations agenda?

Mr Burmester—I cannot use the word ‘thorough’ as Dr Harmer used before to describe the package. Comprehensive, not thorough.

Senator CARR—This is a comprehensive industrial relations agenda, is it?

Mr Burmester—No. I said I cannot use that word.

Senator CARR—How you describe the IR agenda?

Mr Burmester—They are in line with government policy.

Senator CARR—It does establish a deregulated free regime: do you agree with that?

Mr Burmester—That has got nothing to do with workplace relations.

Senator CARR—How does it fit by international comparison?

Mr Burmester—In what regard?

Senator CARR—This whole package. How does it fit by the international comparisons? In fact, it stands in contrast to what other countries are doing, doesn’t it?

Mr Burmester—I would not have thought that was the case. It depends which country you are talking about, because there is such a variety of arrangements around the world. There are some aspects in our package that are in fact mirrored in recent changes in Britain. There would be other countries that look at this package and perhaps move theirs in the direction that we have gone. I do not know that I can make a comprehensive statement about it.

Senator CARR—That teaching performance fund is where universities may choose. Is there any encouragement to universities to focus on teaching?

Mr Burmester—There is \$188 million worth of encouragement but no compulsion.

Senator CARR—Yes. Do you see many of the strong institutional performers in research availing themselves of this encouragement?

Mr Burmester—It would be entirely up to those universities.

Senator CARR—Is there no modelling on that?

Mr Burmester—No.

Senator CARR—Have you had any discussions with them about that?

Mr Burmester—We have had discussions with the sector on the intentions in regard to the teaching performance fund, including with the PVCs-DVCs academic and the AVCC, about the need to consult with the sector on the criteria which are used to determine the performance with and the basis of distribution of funds from that program.

Senator CARR—When will they be resolved?

Mr Burmester—The funding for that particular program does not start until 2006 and so we have some time to do a quite extensive consultation with the sector on that matter.

CHAIR—Senator Nettle has some questions and she assures us she might be able to get them in before the tea break at 4 o'clock.

Senator NETTLE—I could; we will see.

CHAIR—Have a go.

Senator NETTLE—My question relates to page 86 of the Portfolio Budget Statement, the table on that page, with 2.4, the number of domestic undergraduate places. I understand that in the Higher Education Funding Report the number of Commonwealth fully funded places for 2003 is a different figure to the one in here. I have got 374,155 for 2003 whereas here we have got over 400,000. Can you explain that difference for me?

Mr Burmester—The one in the PBS is just the number of places. The figure of 371 in the funding report is fully funded places, so it excludes marginal funding. The comparative figure in the funding report is in fact 410,622. It is the figure adjacent to the 371 that you used, and therefore the indicator indicating it was over 400,000 is correct.

Senator NETTLE—Okay. Just following on from that, does the department set any targets in terms of student participation? I know in this context the AVCC has talked about a vision for a 60 per cent participation rate over a lifetime. I am just wondering if the department has any view in terms of a vision of participation rates.

Mr Burmester—The government has in the package provided additional fully funded places and additional other funded places to provide increased funded opportunities for students. It has also provided flexibilities with regard to fee-paying places for undergraduates in the provision of FEE-HELP loans for those. This package should increase the participation rate within Australia. It does not have a participation rate target. It has progressively over a number of years—and within this package as well—moved to increase its numbers of funded

places. The way we use participation rates really gets down to when we are trying to allocate new places between states so that there are equal opportunities for students in Western Australia or New South Wales for getting into a university.

Senator NETTLE—Did you say that the Commonwealth has a vision to increase the number of fully funded places over time?

Mr Burmester—Yes. That is what it has been progressively doing. It did some as part of Backing Australia's Ability most recently, and then again in this package it will provide 31,500 new funded places to the sector by 2008.

Senator NETTLE—What about looking at the demographic spread across those participation rates? Does the department have a vision about what sort of spread we should see in terms of the types of places available for students?

Mr Burmester—The minister has indicated that he will be raising the allocation of new places with his state colleagues. The intention would be that we develop a model that provides for some equitable distribution of places across Australia between states so that students in one state have similar opportunities to students in other states.

Senator NETTLE—I have a question which relates to multicampus universities. Would you say that it is true that these universities incur additional costs that are associated with the geographic separation of multicampus universities?

Mr Burmester—A number of those universities have put that proposition to us, that they do experience additional costs. The package does not address that particular issue other than saying that where those other campuses are regional campuses they will be eligible for the regional funding. There is an acknowledgment, but not a direct acknowledgment, that where multiple campuses are located in regional areas funding will be increased.

Senator NETTLE—One of the universities I am familiar with is the University of Western Sydney, which of course is a multicampus university. Could you explain for me where the University of Western Sydney fits in relation to the department's definition of a regional or non-regional university?

Mr Burmester—There is no single definition of regional university as such. What is included in the package is a definition of campuses that would be supported for the regional fund. There is a range of universities that would readily be identified as regionally based, such as the University of New England, Charles Sturt in New South Wales, but Western Sydney also identifies itself as very regionally based in the western part of Sydney. One of their features they emphasise is that they are regionally based. However, under the definitions of the regional campus model that we have here, their campuses would not be eligible.

Senator NETTLE—Could you just explain that a little bit further for me in terms of understanding why the University of Western Sydney and campuses within the University of Western Sydney like the Hawkesbury campus, which you may be familiar with, would not be regarded as regional? Would you just expand for me why that is the outcome of their definition here and how you feel that is appropriate?

Mr Burmester—The definitions that were used in the package for allocation of regional funding go to the size of the urban area in which the campus is located, the distance from

mainland state capital cities and the size of the institution itself. On those three criteria, Western Sydney's campuses are located within the metropolitan area of Sydney. I am not sure about the size criteria for the University of Western Sydney. On those grounds, they are excluded by these particular criteria.

Senator NETTLE—I will get back to that later. I have another set of questions that relate to HECS. Is it true that the total HECS liability to the Commonwealth in 2003-04 is in the order of \$1.9 billion for that year?

Ms Fernandez—I think that is correct.

Senator NETTLE—It is in the order of \$1.9 billion?

Mr Burmester—That is correct.

Senator NETTLE—Would it be true to say that the Commonwealth is liable for around \$100 million of that through paying the 25 per cent for the up-front payers?

Mr Burmester—That is correct.

Senator NETTLE—Would it then be correct to assume that, on these current figures, the costs to the budget of abolishing student fees, HECS, returning us to free tertiary education would be in the region of \$1.8 billion per annum?

Mr Burmester—That would be the current student contribution to those participating in funded student places. It would be about \$1.8 billion per annum.

Senator NETTLE—My understanding is that the current student contribution, the estimate for 2003-04 is \$1.3 billion—that is the student contribution—but the Commonwealth makes the contribution, as I have said, of around \$100 million for the 25 per cent discount for the up-front payers. If we agree that the total HECS liability is \$1.9 billion and the other contribution that the Commonwealth makes is in the order of \$100 million then the impact for the Commonwealth in removing HECS would be in the order of \$1.8 billion per annum.

Mr Burmester—That is correct in terms of the face value of the loans that the Commonwealth currently finances plus the contributions from students who pay up-front. It is about \$1.8 billion. In terms of budgeting impact and in budget figuring terms, I am not sure that you can use that figure. We would need to take that on notice because the way loans are currently treated in the budget is not just at face value. There is an accounting convention that we use when providing that. In terms of the cash that the Commonwealth would need to fund those students, your analysis is correct.

Senator NETTLE—The total HECS liability is \$1.9 billion. So we could return to a situation of free tertiary education in terms of student fees with a contribution from the government in the order of \$1.9 billion?

Mr Burmester—\$1.8 billion.

Senator NETTLE—That, for example, would be less than the \$2.4 billion tax cuts proposed in this budget. If we are looking at \$1.8 billion per annum, we could return to free tertiary education for significantly less than the tax cuts proposed in this budget. Is that correct?

Mr Burmester—I am not sure of the value of the tax cuts. But if that were their value then that could be right in cash terms. What I am saying is that on a budgetary figuring basis I cannot confirm that because I do not know how we would have to treat the \$1.8 billion in budgetary terms.

Senator CARR—Mr Burmester, in a previous round I asked a question about the cost of the various research reviews that are under way. There are five separate reviews at the moment. Do you have a cost for them?

Mr Burmester—I do not have that cost. I believe somebody is looking at that one as well, but I have not yet been handed—

Senator CARR—Would it be far away? I am after the cost of the five of them all together.

Dr Jarvie—So the five include the mapping—

Senator CARR—Yes, the CRCs, public research agencies, infrastructure—

Dr Jarvie—Knowledge and innovation.

Senator CARR—Yes. I want the total budget and year to date spent. I think those are the two figures we are getting.

Dr Jarvie—Yes, we are working on it.

Proceedings suspended from 4.02 p.m. to 4.20 p.m.

CHAIR—We will resume the hearing. Ms Fernandez, I believe you have a statement to make.

Ms Fernandez—Yes, Mr Chair. Just the actuarial modelling for the lifting of the thresholds: I said it was \$16 million; it is \$27.5 million.

CHAIR—Thank you. Senator Nettle.

Senator NETTLE—Just one last one to follow on from the comments before the break about the costs for the abolition of student fees. Has the department ever done any modelling as to the effect on participation and equity levels with the abolition of student fees?

Mr Burmester—No, we have not done research of that nature.

Senator NETTLE—Do you have any views as to what may be the impact on equity levels and participation rates if student fees were to be abolished?

Mr Burmester—I would clarify the comments earlier about the costs that you identified from the existing HECS liability amount. That is for the current system with the current HECS, so it does not provide for any of the expansion in the sector that is in part of the package or the provision of loans to students who would not be able to fit in it. It certainly would not cover the increased number of places available to universities through the new package. So there is an equity issue here in that there is of interest obviously the compositional change that free university would provide, but it would be within a limited amount of places. So overall you would be back to the situation of possibly inadequate supply of places.

Senator NETTLE—I agree with you; I think there is a need for funding to meet the current unmet demand and I think any comprehensive package on higher education reform

that certainly the Greens would put forward would not only look at abolition of HECS but also at meeting the current unmet demand and any future demands that may be placed on the system as a result of the abolition of the financial barrier fees provide.

I just had a really general question in relation to outcome 2. I suppose I found it somewhat curious that the general wording that we are looking at talks about ‘individuals achieving relevant learning outcomes from post school education and training for work and life’. I found that to be a definition that by all accounts appears just to look at the private benefits of education rather than perhaps looking at the benefits to the overall community that flow from higher education. Has the department done or caused to be done any analysis about the community benefits that derive from higher education rather than just focusing in outcome 2 on what is clearly outlined there in the wording of it, ‘the individual benefits of higher education’? Is that something the department has had cause to look at?

Mr Burmester—I do not know of a study to look at the balance of private and public benefit from higher education, but obviously it would apply to post-secondary education that outcome 2 relates to. I would also put your comments about outcome 2 within a broader context of the overall mission or portfolio goals which do, I think, encompass those broader criteria. I do not have them with me or I cannot locate them in the document at the moment.

Senator NETTLE—Can you give me a sense of how they fit in with that?

Mr Burmester—The overall corporate mission included in our corporate documents does go to, through education, advancing Australian society more broadly rather than simply individuals. So this is a subset of outcomes that go towards that broader goal. That broader goal is not reported in this document that I can find. But it is there and it is seen as a contribution to that.

Senator NETTLE—I take your point. Can you point me to any other outcomes that perhaps encompass the broader societal or community benefits of postsecondary education?

Dr Harmer—I suspect that some of the material that you want would be covered in the annual report. I cannot lay my hands on one at the moment. But there is no doubt that DEST, the department, has a very clear view about the overall benefits of education—university education as well as other elements of education. There is no shortage of will on our part to accommodate that. Perhaps we ought to look at the way we refer to the outcome in our PBS.

Senator NETTLE—I suppose, as Mr Burmester said before, that you are not aware of any studies that have been done about the benefit to the community as a whole from higher education specifically or postsecondary education?

Mr Burmester—I do not recall any. It is obviously an issue that has been around and came up as part of the review of higher education. Effectively, it is a balance between public and private benefits and public and private contributions. That is the nature of the review we undertook. I do not recall a particular investigation or analysis on how you could come to a conclusion on that matter.

Senator NETTLE—The department has never done such an analysis?

Mr Burmester—Not that I am aware of. It may have been done, and I am just unaware of it.

Senator NETTLE—Would it be fair to say then that higher education policy development in this country is done entirely in the absence of any attempt to account for the community benefits of education?

Dr Harmer—I do not think that would be fair.

Senator NETTLE—No? What do you see to be the situation that we are operating in?

Dr Harmer—Mr Burmester indicated that he is not aware of any specific study. Mr Burmester has been in the division for about 12 months, working heavily on the package. We can take on notice, if you like, whether we have done any work on the broader benefits. I will be surprised if we have not at some point drawn on analysis from international research et cetera . But we could not subscribe to the fact that we do policy development in the total absence of analysis—I think that would be unfair.

Senator NETTLE—Are you aware of any studies the department or others have done to look into these issues?

Dr Harmer—The disadvantage we have is that I have been there less than three months. So, no, I am not. Sorry.

Mr Burmester—Senator Nettle, I will just read out the departmental vision statement which goes to some of these issues. The vision is:

A better future for all Australians through learning, science and innovation.

Which has a broader context, if you like, than the particular outcomes.

Senator NETTLE—Then the specific outcomes go to the different areas in which you seek to achieve that vision. I suppose that is where my question came from. I cannot see it in outcome 2 and I wondered whether you could point me to any other outcome that you perceive provides some opportunity to analyse the broader benefits. But we did not seem to find an outcome that went to that issue.

Senator STOTT DESPOJA—I wonder whether there are some former Higher Education Council reports that might have looked into some of these issues. I want to ask a question that arose from a previous estimates. I am not sure whether it is appropriate to ask it of you. It relates to the book subsidy scheme.

Mr Burmester—Yes, I am responsible for the book subsidy scheme.

Senator STOTT DESPOJA—Could you clarify for me that the finances for the book subsidy scheme—that was provided for in the negotiation on the GST deal with the government and the Australian Democrats—have not been extended in this year's budget. That the subsidy will run out next year, as was anticipated?

Mr Burmester—The book subsidy program was appropriated for four years at the time of the introduction of the GST. At this point, the government has not decided to extend that funding.

Senator STOTT DESPOJA—Are there any discussions taking place as to whether or not they would consider extending that funding?

Mr Burmester—The fact that it has not been extended in this budget means that they have not taken a decision to extend it.

Senator STOTT DESPOJA—It does not bode well. They have not taken the decision to extend it, but would you presume by virtue of that line item in the budget not recurring that the scheme will finish after four years, as anticipated?

Mr Burmester—I would say that the budget estimates reflect the government's policy position.

Senator STOTT DESPOJA—Yes. And you are not aware of any discussions that have taken place within the department or more broadly about this issue?

Mr Burmester—There have been some representations from the book industry to the portfolio about the fact that the funding has not been extended beyond the current year, but as far as I know the minister has not responded to those representations or given undertakings in regard to those representations.

Senator STOTT DESPOJA—What is the effect of the end of that scheme on what students and their families will be paying for text books? Will it mean, presumably, a percentage increase; will there be a six per cent increase in the cost of a textbook for Australian students?

Mr Burmester—Effectively, the book subsidy scheme operates by providing a discount of eight per cent at point of purchase to a student buying a textbook for the purposes of study. The ending of the scheme means that that discount will no longer be available to those students.

Senator STOTT DESPOJA—So we can expect to see textbooks rise by eight per cent as of next year?

Mr Burmester—There will be no discount provided by or underwritten by the Commonwealth, but it will be up to the individual booksellers in the market to determine how they price their books.

Senator STOTT DESPOJA—Thank you. I would like to ask one more question about the document *Our universities: backing Australia's future*. In attachment B on page 47, you have reached a total figure of \$800 million when calculating the value of the loans. Can you outline for me the assumptions that went into reaching that particular figure? What were the projections involved in arriving at that estimated total value of \$800 million?

Mr Burmester—Again, this is not a simple matter to untangle. As you can appreciate, there are just so many variables involved in reaching any calculation of this nature. The purpose of that estimate is to say that that is the likely financial exposure the Commonwealth has to changes within the higher education system as a result of the package, including possible changes to the level of HECS payments, the introduction of FEE-HELP, the take-up of fee paying places in public and private institutions, the level of HECS that the universities themselves might set and so on. In addition, with the change from marginal fee payers to fully funded fee payers, the additional places will also have an impact on that figure.

The way that that figure was derived involved complications similar to those we talked about earlier in coming up with an estimate through the Government Actuary's modelling of HECS repayments. It is the same process, and it is not easy to untangle any of the assumptions. Some of them are clearly factually based such as the number of existing

students, some would be reasonably soundly based projections such as future growth of funded places and the likely expansion of fee-paying places in undergraduate courses; but then you get into the realm of assumptions. You have to make an assumption about what is likely to happen.

Senator STOTT DESPOJA—In respect of charges, take-up rates, et cetera?

Mr Burmester—Yes, and we have no basis upon which to do that. Within that model, we have made a number of those assumptions, none of which in itself is likely to be correct but which overall will have the net impact of giving us some certainty that this is the likely exposure the Commonwealth will have to writing HECS loans. This is agreed with Finance and Treasury, who have worked through the details and the way we have gone about it. That is the basis of that \$800 million. It is not an appropriation as such. If it turns out that greater than \$800 million worth of loans are required then they will be funded. If there is less then it just means that fewer loans will be provided. It is not a fixed amount of money that the parliament is appropriating.

Senator STOTT DESPOJA—I recognise that, and I also recognise that it is not a simple calculation. I guess that is why I am interested in the assumptions used, including the projections to which you refer which are not going to be definite—the charges or the take-up rate of those positions. As with my earlier question, I do not suppose you can provide a breakdown of it state by state or institutionally?

Mr Burmester—No, certainly not. These were done on the whole of the sector. There is no prediction, presumption or projection in any of this of how an individual student or an individual institution will respond. We can only ask: ‘What would happen, on average, over the whole sector?’ So, with regard to some of the examples I gave you, it is a matter of how many currently enrolled private students in private institutions, paying fees up front, will take up a FEE-HELP loan. We do not know, so it is a general statement about the likely impact on the budget rather than our saying, ‘We know that this student will take up something because they are going to that institution.’ There is no way we could map it down to that level.

Senator STOTT DESPOJA—I understand that. Is there anything you can table in relation to the projections that Finance and Treasury have worked on—or, specifically, the Government Actuary? Is there anything you can provide to the committee that outlines how that table was arrived at?

Mr Burmester—Basically, it is derived from a very complicated spreadsheet that embeds projections of student load, funded load and growth, and that is complicated by the fact that we are phasing out the marginals and phasing in the fully funded. There is no list of the individual assumptions within it; they are just built into this huge spreadsheet and we get a number at the end.

Senator STOTT DESPOJA—So there is nothing more that can be tabled in addition to the table? There is no whiteboard or anything like that?

Dr Harmer—There is certainly not a whiteboard, Senator.

Mr Burmester—It is the nature of that sort of budget estimate that you cannot be precise; it doesn’t fall out of a sequential set of assumptions where you multiply X by Y.

Senator STOTT DESPOJA—Yes, you feed in the facts and figures to get a result. Thank you very much for your help today.

Senator CARR—Were the medical places in the forward estimates originally included in the *Our universities: backing Australia's future* package?

Mr Burmester—The additional 234 medical places that have been announced this year were announced by Senator Patterson as part of her Medicare package prior to the budget. They are not included in our document but they are included in our PBS.

Senator CARR—What is the cost of that?

Mr Burmester—The numbers in the 2003 year are \$3.7 million, next year \$7.6 million, then \$11.6 million and \$15.8 million—that is \$42 million over the four years.

Senator CARR—In terms of industry funded places—Commonwealth funded places and private providers—could you tell me to what extent it is planned to enshrine in legislation the regulation and approval of fee paying arrangements in places for private providers?

Mr Burmester—The new package provides for the creation of a class of supported places called national priority places which can be allocated to private institutions. There is a figure of 1,400 places provided in the package of which about 650 are currently allocated to Avondale and Notre Dame as funded places. There is capacity for the other places to be allocated to other institutions or to increases in those two institutions, only in the fields of teaching and nursing. The requirements on the institutions will be that only those that meet our accountability requirements would be eligible for those places. The requirements are set out in the policy document and go to the fact that it has to be an accredited provider listed on the AQF register. It has to be an accredited course, it has to be subject to audit by AUQA and it would have to provide us with the accountability requirements that we would need as an institution to assure ourselves of the financial viability of the organisation.

Senator CARR—How many private providers do you anticipate will be applying for those places? Do you have a list at the moment of those that meet these criteria?

Mr Burmester—No, we have not done yet but we would be approaching the private sector to find out if any of their members are interested in this and informing them of the requirements that they would have to meet. We have not done that work as yet.

Senator CARR—Since you have established these priorities, would it be the case that there will be other places that are currently funded that will no longer be funded?

Mr Burmester—They would be subsumed within those 1,400 national priority places.

Senator CARR—Which institutions would be affected by the decision?

Mr Burmester—Notre Dame and Avondale.

Senator CARR—How many places would be affected?

Mr Burmester—I think I have said about 650 of the existing places—655 places are currently provided to Avondale College and University of Notre Dame.

Senator CARR—Are they teaching places?

Mr Burmester—Yes. At Avondale they are teaching places and at Notre Dame they are teaching, ICT as part of Backing Australia's Ability and Indigenous students at Broome campus.

Senator CARR—By absorbing those within the places, are there some programs that will no longer be funded that are currently funded?

Mr Burmester—No.

Senator CARR—None at all?

Mr Burmester—Except in the case of Marcus Oldham College.

Senator CARR—What is happening to Marcus Oldham?

Mr Burmester—They are currently funded for courses that do not fall in the designated national priorities, and so a once-off payment will be made to Marcus Oldham so that they can complete the students who have commenced courses in that college, but thereafter they would not be eligible for Commonwealth support.

Senator CARR—So they are coming off the HEFA list, are they?

Mr Burmester—That is correct, and their students would have to qualify for fee help in the same way that other private providers would have to provide.

Senator CARR—So effectively they are closing down, are they?

Mr Burmester—No, their students will be able to apply for fee help as other private providers.

Senator CARR—Is the IT at Notre Dame covered by one of the national priorities?

Mr Burmester—It was part of the Backing Australia's Ability allocation of places to increase study in science teaching and ICT and they will be covered for the duration of those courses or following agreement with the institution.

Senator CARR—But they will not be part of these ongoing priorities, will they?

Mr Burmester—The new places that are provided under national priorities are limited to nursing and teaching. The existing ones get absorbed into the national priority package.

Senator CARR—I am not clear about this. Is IT a national priority or not?

Mr Burmester—It is for the time being, given that they have been provided by Notre Dame, so those places at Notre Dame will continue to be funded as they are now as national priority places. But new national priority places can only occur in teaching and nursing.

Senator CARR—What is the quality assurance regime that you will be expecting will follow from these new arrangements? You said they will have to report to AUQA, which as you know is widely criticised as not even being a toothless tiger but a paper mouse. How will you actually be able to ensure that the quality is maintained in these programs?

Mr Burmester—Within Australia there is quite a robust higher education quality assurance framework which involves a number of measures, including state accreditation bodies who are themselves subject to audit by AUQA. There is auditing by AUQA of institutions, and we will extend that to these people getting funded places and there is the

accountability requirements to the Commonwealth if they get Commonwealth funded places, on which we will require them to provide us with a range of accountability information. In part, in addition to financial type matters, that will also go to quality issues.

Senator CARR—This is the same quality agency that while it was undertaking an audit at the University of New South Wales managed to miss the scientific fraud allegations, the question of the education testing centre, the fraud allegations there, and I think two others all at the same time. This is the robust quality assurance regime you have got in mind?

Mr Burmester—They are a component of the robust quality assurance regime, and I think that the audit that occurred at New South Wales was a trial audit. They have revised their procedures and practices since then and I think they are providing a very sound assessment of institutions to which institutions have responded very positively. I think that the value from AUQA is demonstrated with every audit they do.

Senator CARR—Okay. Tabor Christian Heritage College and Bond have access to PELS, haven't they, at the moment?

Mr Burmester—That is right.

Senator CARR—Are they automatically going to be given access to these new arrangements?

Mr Burmester—They would have to apply for national priority places and the minister determine that it was appropriate to allocate those places. They would have to meet those requirements that I read out earlier. Their students would be eligible. They have to reapply for their students to obtain access to fee help.

Senator CARR—They have to reapply?

Mr Burmester—That is correct. The existing students who are currently eligible for PELS and have availed themselves of PELS will be grandfathered like students of public institutions under the PELS grandfathering provisions. But by 2005, when FEE-HELP becomes available, those institutions would need to meet the requirements of institutions eligible for FEE-HELP.

Senator CARR—But they will not be the only ones, will they? It is not confined to those institutions.

Mr Burmester—In regard to FEE-HELP that is quite correct.

Senator CARR—Where do I find the indicators of teaching performance in terms of the allocations for the learning and teaching performance funds?

Mr Burmester—As I mentioned earlier, we are talking to the sector about what indicators we can develop to provide for the allocation of teaching performance funds on a performance based basis. The sector have already indicated that they want to be involved and are ready to provide constructive input into that process. In fact, they have indicated that to the extent that it is possible they would like to build those indicators on many of the measures and activities that they already undertake in regard to student evaluation and teaching quality assessment within their own institutions. We have undertaken to work with them on that basis.

Senator CARR—Will the industrial relations proposals apply to all staff or just academic staff?

Mr Burmester—It refers to the workplace relations within the institution as a whole.

Senator CARR—So it is all staff?

Mr Burmester—Yes.

Senator CARR—What happens if a university fails to agree to the government's ultimatums on this matter?

Mr Burmester—The provision of the 2½ per cent real increases over the three years is contingent on universities meeting the governance protocols and complying with workplace relations policies. If they failed on either of those counts, they would forgo the 2½ per cent increase, or the real increase that was payable up to that point, until they complied.

Senator CARR—Will these governance protocols be made by way of a disallowable instrument?

Mr Burmester—The process is that universities have to comply with these protocols, and we will be assessing universities against these protocols, some of which would be met within their own legislation or, where necessary, by state parliaments amending legislation accordingly.

Senator CARR—I see.

Mr Burmester—In regard to Commonwealth institutions, some of the protocols would be met through the amendment proposed for the Commonwealth institutions legislation, but there will be some that go to the practices of the governing council and it will be up to them to demonstrate that they have met those criteria.

Senator CARR—What is the legal basis of these matters? Will it be a disallowable instrument or will it be by way of legislative change? They are going to be protocols that apply to all institutions—you are not seriously expecting the states to accept this, are you?

Mr Burmester—These will be the criteria by which Commonwealth funding is determined to either flow or not flow to an institution, and so there will be a requirement for them to be met. How we do that is being considered in the preparation of the draft bill and legislative arrangements for the package.

Senator CARR—You were saying, though, that funding will be conditional upon the states agreeing as well.

Mr Burmester—In some regards states will need to amend enabling legislation in regard to their universities to meet some of the aspects of this protocol.

Senator CARR—Have you had discussions with the states about that?

Mr Burmester—No, we have had consultations across the sector and with state officials through the process of the review consultations that raised these issues in regard to governance protocols. Some states I do not think would have much problem with adopting these.

Senator CARR—Which states have indicated to you that they have got no problem in implementing these?

Mr Burmester—These protocols are modelled largely on the Victorian auditor's report which was adopted by the government of Victoria—

Senator CARR—The AWAs?

Mr Burmester—No, we are talking about the national governance protocols, not the workplace relations issues.

Senator CARR—But they flow from that, don't they?

Mr Burmester—No, they are two distinct requirements to get the real funding increase. They are assessed separately; they will have separate criteria.

Senator CARR—I see. That is good to hear. Victoria does have MPs on their councils, though, doesn't it?

Mr Burmester—I do not believe that is the case in all Victorian institutions. We have had a look at that. Throughout Australia there is a mixture of states and/or institutions that have members of parliament. In some states they have no institutions with sitting members of parliament on their councils. In some states they have both—some with, some without.

Senator CARR—In Victoria there are members. In fact, Melbourne University has a sitting member of parliament on that council, has it not?

Mr Burmester—I do not know the individual councils. As I said, there are a variety of arrangements within the states and across the states.

Senator CROSSIN—Mr Burmester, is it a fact that the Commonwealth would prefer that councils had no representatives from student unions on them?

Mr Burmester—No, the protocols are silent in that matter. The protocols do not preclude staff or student representation on councils.

Senator CROSSIN—I did not ask about student representation. I asked about whether it precludes nominees from student unions as opposed to students who may be selected by the state or territory minister or the vice-chancellor.

Mr Burmester—It does not preclude any particular form of student representation, but it does require that a student representative of any nature who does become a council member become a diligent trustee of the institution as a whole. They will have obligations on them, as would a director of a public company, to act in the interests of the institution, and the protocols go to that requirement on every council member.

Senator CROSSIN—Do we have a copy of those protocols?

Mr Burmester—They are published on pages 46 and 47 of the booklet.

Senator CROSSIN—So, if a state or territory legislation specifies a nominee from the students union, that would satisfy the protocol?

Mr Burmester—The protocols do not preclude that option. There are some that would have to be met, such as that external representation on the council is in a majority, that individual council members understand that they have got obligations as trustees to the institution, not as representatives of particular interest groups but of the whole university.

Senator CROSSIN—A nominee from the students union would be considered an external representative?

Mr Burmester—No, that would be an internal one from the university. Students, staff and officials are internal.

Senator CROSSIN—State or territory legislation that stipulates a representative or a nominee of the relevant student union would satisfy the protocols—is that a yes or a no?

Mr Burmester—They are not precluded by the protocols. But the individual so appointed would have to act in the interests of the institution as a whole.

Senator CROSSIN—Is this advice based on suggestions or evidence provided to you by Mr Geoff Spring?

Mr Burmester—I have absolutely no recollection of Geoff Spring providing comment or advice on this matter. It arose from a number of sources, including one of the consultative documents that were issued as part of the consultation process last year. The actual model here emerges largely, but not completely, from the Auditor-General's report that the Victorian government adopted in about the middle of last year.

Senator CROSSIN—Was Mr Spring involved in these consultations or did he have any input into these suggestions or protocols?

Mr Burmester—No.

Senator CROSSIN—It is very similar to a line he used to run when he was secretary to the department of education many years ago in the Northern Territory. I am surprised he was not involved. Would the protocols be breached if a state or territory included in their legislation a nominee or representative of the Trades and Labour Council or relevant union?

Mr Burmester—No. Again that is not precluded by the protocols, but the individual so appointed would have to act as a trustee of the institution as a whole.

Senator CROSSIN—How would you prove that was not happening, by anybody who was appointed on the council? What penalties or what action would be taken if that were not the case?

Mr Burmester—The council has to have the authority to remove a member. Again, the parallel with a public company is that a director has to act in the interests of the company. If that is not the case, then the board—or the council, in this case—requires a power to remove the person from the board.

Senator CROSSIN—Do you have any evidence where that is currently not the case, with anybody who is sitting on a university council around this country at this point in time?

Mr Burmester—I have not done an exhaustive search of the current requirements on every single council. But to the extent that it already exists, then it will not be a problem in meeting the protocol.

Senator CROSSIN—Surely if there is a person sitting on a university council somewhere in this country who is not acting in the best interests of the university, that state or territory minister would seek to either remove them or not reappoint them.

Mr Burmester—In that case they will meet the protocols.

Senator CROSSIN—Then why is there a need to tie this funding to complying with those protocols, if in fact they are already happening?

Mr Burmester—There is no problem in tying them to the protocols if it already happens, but there are other aspects of the protocols which are not necessarily apparent in all councils across all universities.

Senator CROSSIN—Is there a suggestion that states and territories need to change the name of their councils? Can they still continue to call them the Melbourne University council or the Sydney University council? Do they have to become a board of governors or a board of trustees?

Mr Burmester—No; there is no requirement for specific terminology.

Senator CROSSIN—So they can still all be called university councils, can they?

Mr Burmester—They could be, yes.

Senator CROSSIN—What is the time line for state and territory governments to change their acts to comply with this, if they do not currently comply?

Mr Burmester—For an institution to become eligible for the first tranche of a 2½ per cent increase in the funding rate through the Commonwealth Grants Scheme, they would need to be compliant by the end of 2004. If they miss that deadline, then they would need to be compliant for the five per cent increase, which would be payable from 2006, by the end of 2005 and so on. So, until they become compliant, they do not receive any real increase in Commonwealth grant funding.

Senator CROSSIN—What is the mix of internal and external members on the council?

Mr Burmester—The external members have to be in the majority.

Senator CROSSIN—The external?

Mr Burmester—Yes.

Senator CROSSIN—And the ceiling is 18. Is that correct?

Mr Burmester—That is correct.

Senator CROSSIN—Have you produced draft legislation in respect of the ANU yet?

Mr Burmester—That is part of the specifications that we have sent to the Office of Parliamentary Counsel for their drafting. I do not know how far that has progressed or the approach they have taken on that particular legislation.

Senator CROSSIN—Has that legislation been drafted? Is it ready?

Mr Burmester—It is not ready. It is part of the package of legislation to implement this package.

Senator CROSSIN—Has there been consultation with the vice-chancellor or council members at ANU about the draft legislation?

Mr Burmester—Prior to the announcement of this package, the vice-chancellor was informed that the government was intending to amend the act, and there is an undertaking to discuss the proposed amendments with the vice-chancellor of the ANU.

Senator CROSSIN—Have those discussions occurred?

Mr Burmester—I have had some discussions with the vice-chancellor on the nature of the changes that would be necessary to the act, but it was not on a draft of the legislation because that has not yet been prepared.

Senator CROSSIN—I want to ask you some questions in relation to the Northern Territory University. As you would be aware, the Northern Territory University is about to undergo a name change. I understand that legislation changes in respect of the council will be put forward. Has there been any discussion with the Northern Territory government or the university about a payment of funds outside of this new package, in relation to changes in the Northern Territory?

Mr Burmester—A funding arrangement was settled with the university for a payment of \$3 million, of which at least half and possibly three-quarters has now been paid. That was during its transition phase over the last year or so. Beyond that, the university will be eligible for funding on the same basis as any other institution covered by this package.

Senator CROSSIN—Was part of that \$3 million around \$1.1 million or \$1.2 million to assist with some of the recommendations from the KPMG report, in respect of implementing computer facilities in the university, or is that \$1 million separate from that \$3 million?

Mr Burmester—I think that was a separate amount under the capital development pool. The first tranche of that \$3 million was \$1.5 million paid on progress towards implementing a number of the findings of the KPMG review.

Senator CROSSIN—When was that paid?

Mr Burmester—I think it was at the beginning of this year or at the very end of last year. I think another payment has been made since, but it is only another partial payment. The full payment has yet to be made.

Senator CROSSIN—Can you provide me with the dates and amounts of those payments, please?

Mr Burmester—I will take that on notice.

Senator CROSSIN—If there were a view in the Northern Territory that, in order to comply with legislation changes in respect of the university and the restructuring of the university, they would be able to be given \$12 million or \$13 million, where would they have got that view from? Is that a correct view to hold? Is that a correct statement of the facts; or will there be no additional money unless they comply with the elements of this package?

Mr Burmester—I have no knowledge of that size of figure. As I said, they would be eligible for the same arrangements as any other university. They would obviously get a regional loading.

Senator CROSSIN—That is a separate issue, I think. I am talking about the \$400 million or so that is there. Let us just take a best case scenario—or worst case scenario, I suppose,

given that they are a Labor government—and they put in place the student union, the AWAs and the changing of the university council structure, what amount of that \$400 million would the NT probably get?

Mr Burmester—They will get seven per cent of the Commonwealth grant funding for that institution.

Senator CROSSIN—What would that be?

Mr Burmester—I am trying to get an order of magnitude here. The figure could not possibly be of that order of magnitude. With the Commonwealth grant funding for NTU or Charles Darwin, I am having a quick guess here, because I do not have that precise figure for this one; I am just trying to exclude the notional amount for HECS payments—it might be \$25 million. So, with seven per cent of \$25 million, we are talking about \$2 million.

Senator CROSSIN—Have you had discussions with either the Northern Territory government minister or the vice-chancellor about this new package?

Mr Burmester—I have had fairly fleeting conversations with the vice-chancellor, basically at the AVCC meeting that we attended, and he sought some information—I did not give him particular numbers, because he was really interested in what he would be eligible for, such as the regional funding, the 7½ per cent and so on, and so we did not go into any specifics. I believe the Northern Territory minister has written to our minister, but that was in regard to a proposal to increase the amount of research funding to the institution.

Senator CROSSIN—Where would people have got the amount of \$12 million or \$13 million from?

Mr Burmester—I do not know.

Senator CROSSIN—Is it someone up there pulling the wool over their eyes?

Mr Burmester—I do not even know the basis of that, so I cannot comment. All I have said is that it is not the 7½ per cent. What else it could be depends on who put it together and why they thought that.

Dr Harmer—All we can say is that it did not come from us.

Senator CROSSIN—Has any analysis been done by your department, Mr Burmester, about the feasibility of the university in the Northern Territory? We know the history of the NTU. It has had millions of dollars of bailout, year after year after year—\$7 million from the Northern Territory government; \$1 million for computers; now another \$3 million from your department. Is this going to be a recurring theme at the Northern Territory University where you have to constantly find money—we are not talking about little money here; we are talking about millions of dollars—year in and year out? What is happening in terms of an assessment of the viability and ongoing nature of the university in the Territory?

Mr Burmester—The KPMG report made a number of recommendations and raised issues that the university needed to address. Following the appointment of a new vice-chancellor, a number of those issues and a broader agenda of reform have been pursued—including, as you would know, the amalgamation with Centralian College, for example. The extent of those reforms and how they adapt to the new funding arrangements will obviously be of interest to

the Commonwealth, to ensure that they are on a sustainable basis. Part of the package goes to addressing issues of universities such as Northern Territory through the regional funding package, the real increases in funding, so that there is a sustainable basis to their operation. At this stage, other than monitoring the progress that they are making, there is no review of the future viability of the Northern Territory University—until they have a chance to bed down these reforms.

Senator CROSSIN—Has your department done any analysis or research on the impact of a university amalgamating with a secondary school and having secondary school teachers on staff and having secondary school teachers as part of their student cohort?

Mr Burmester—No. We have not been involved in those considerations. They would be up to the university and the university council and, presumably, the state government, if it were a state high school or a public high school. It would be up to the university to determine its approach to those things.

Senator CROSSIN—What might be an anticipated fallout if you get a year 12 student who is a student of the Northern Territory University who does not meet a TER score and therefore cannot progress to a higher education course that that university offers? Has the Commonwealth looked at the impact of any of that scenario in the future? Do you believe that student would have an expectation that, having been a secondary school student at that university, they would perhaps get an automatic progression into higher education courses at that university? Have you looked at the impact of that not happening?

Mr Burmester—I do not know whether that is a proposition that has been put up by the university or how it would administer such an arrangement, but the notion of not having proper processes to determine entry to university or a higher education course would seem strange, and therefore it would be up to how they arrange those things, rather than whether they can as part of their operations include a high school. I think that entry provisions for a tertiary course, a higher education course, is a matter for the university to determine within its own academic rules.

Senator CROSSIN—Did you raise some of these concerns with them when they spoke to you about this amalgamation? Was it something that your department asked questions about?

Mr Burmester—No.

Senator CROSSIN—Why not?

Mr Burmester—Because it is a matter of the academic arrangements and rules for a self-accrediting university. We do not involve ourselves in the arrangements of academic rules of universities.

Senator CROSSIN—Isn't this the first university in this country to have secondary students as part of its cohort?

Mr Burmester—They might well be—

Senator CROSSIN—I am not talking about a cooperative arrangement with the university; I am talking about students in years 11 and 12 who will actually be students of the university.

Mr Burmester—There are a range of models of institutions within this country: many Victorian institutions have a TAFE division fully integrated within their operations. The AMC has a similar arrangement. Our universities do have relationships, whether amalgamation or not, with high schools.

Senator CROSSIN—We are not talking about relationships or cooperative arrangements. We are talking about a total takeover here, where students and secondary school teachers will become employees and students of that university.

Mr Burmester—Whether there is any issue here goes to the way that is structured and the entry requirements that the university determines for students entering their higher education courses, and not to the fact that they are a single administrative entity.

Senator CROSSIN—You did not talk to the university at all about their articulation arrangements for these students?

Mr Burmester—That is a matter for the university to determine. They are subject to audit through AUQA as to the appropriateness of their entry and academic requirements. It is their statutory responsibility.

Senator CROSSIN—Is it not your responsibility, though, when you are looking at quality articulation arrangements for access to higher education that you would have not at least raised these issues in your discussions and said, ‘How are you going to do this? How is this going to be organised? Is this a new policy you will now need to develop? Tell us your plans on how you are going to handle this.’ You did not raise it at all with them?

Mr Burmester—It is up to the university, within the quality framework of the higher education sector, to arrange its affairs. They are subject to audit, they have statutory obligations in regard to their academic standards for higher education, and we will be assessing aspects of universities as we do now, through an accountability arrangement that includes quality. But as yet we have not been involved in the deliberations of that university on its entry requirements.

Senator CARR—How many universities in the last financial year got an advance on their operating grant?

Mr Burmester—Can we take it in calendar years?

Senator CARR—Take it anyway you like, because it will be two years. It is only over the last two years.

Mr Burmester—Two universities have been provided with advances for this calendar year—UNE and RMIT.

Senator CARR—Can you remind me of the figures?

Mr Burmester—For UNE it is \$3.5 million and for RMIT it is \$7.5 million.

Senator CARR—In the previous calendar year?

Mr Burmester—In the previous calendar year, UNE had a \$2 million advance; Deakin had \$3.5 million; and Adelaide had \$10 million.

Senator CARR—How much is left in the fund at the moment—what is it called—the redundancy fund? Or is that just for the vice-chancellors that you sack after they have applied for the money?

Mr Burmester—It is. The minister has a provision within the act to allow him to advance grants to universities up to the value of \$25 million at any one time.

Senator CARR—What is the name of that fund? Refresh my memory.

Mr Burmester—It is section X of the higher education funding advice. It is not a fund; it is a provision that allows him to advance grants up to a certain total value across the sector within any one year and that is how it operates.

Senator CARR—I understand how it operates, but it used to be called a structural adjustment fund or something similar. Was there not a title like that used in earlier triennium reports?

Mr Burmester—That could well predate my knowledge.

Senator CARR—How do you describe it these days?

Mr Burmester—It is provision for an advance.

Senator CARR—In this year's triennium report are you anticipating any other applications?

Mr Burmester—No. No university has indicated that they will be seeking an advance.

Senator CARR—How much is in the fund at the moment?

Mr Burmester—The uncommitted funds available at present are \$1.8 million. This accounts for the advances that are still outstanding and is offset by the repayments that are expected this year.

Senator CARR—Do you always keep about \$1.8 million as a reserve? That is your contingency reserve.

Mr Burmester—There is no set amount. The minister determines each application on its merits when it is received and determines an advance that he thinks appropriate. I think it would be prudent public policy for the minister to always have some amount uncommitted at any one time.

Senator CARR—In regard to the new grants scheme, the CGS, I understand that Senator Tierney is trying to organise with the department some structural adjustments of our own which would be facilitated greatly by me getting a few answers to questions that I have asked. Do we have any progress on this suppressed report?

Dr Harmer—That is not a suppressed report; it is a report with the minister's office. You would be awfully optimistic to expect that in the time since this morning. We will get it to you when we can.

Senator CARR—What about the cost of the reviews?

Dr Harmer—We are making progress on the cost of the reviews. We expect to be able to give you at least one of them, which is the easiest one I think, the CRC one, quite shortly. We will do our best to get you the costs of those reviews before the end of these hearings.

Senator CARR—Thank you very much. What is happening with the press clippings?

Dr Harmer—I have not had a chance to deal with that.

Senator CARR—Press clippings, you will find, become quite significant in the life of an opposition senator.

Dr Harmer—I am not aware of the background, but I have already taken that question on notice and I will do my best to get you an answer—but I will not promise the answer to that one before the end of the hearings.

Senator CARR—Thank you.

Dr Jarvie—We have some other answers to questions you have raised.

Senator CARR—Thank you.

Dr Jarvie—We have the terms of reference for mapping science and innovation here, which we can pass across to you. We have a list of the members for the Mapping Reference Group, which is chaired by the Chief Scientist. I have details of the officials working group which I can read to you.

Senator CARR—Can I get a copy of that?

Dr Jarvie—Yes. There are 13 staff.

Senator CARR—It will save a bit of time. They will be tabled documents; they will be in the records.

Dr Jarvie—In terms of the costings for the various reviews, I can give you the CRC program evaluation costings, but the others I have some problems with and I have asked for them to be checked again. So I can give you the CRC costing, which is \$183,000 for 2003-04 costs.

Senator CARR—Is that the year to date?

Dr Jarvie—That is the total cost—it is not actually 2003-04—of the CRC evaluation.

Senator CARR—How much of that have you spent already?

Dr Jarvie—That is not here, I am sorry.

Senator CARR—As I say, it would be better if I could get them written out for us.

Dr Harmer—It would be better if we were to provide them—

Senator CARR—Thank you.

Dr Harmer—In relation to questions that we took on notice yesterday, you asked us for the membership of the mapping people. We have given you already, in the answer that Mr Cook gave, the head of the team, who is an SES officer. I am happy to give you the levels and the departments from which the people come, but my strong preference is not to give you the names of the other people. They are junior officers and it is a principle I have.

Senator CARR—I do not want to press that; thank you. I do want to know the number of officers.

Dr Harmer—Sure.

Senator CARR—The new grants scheme is basically unlike the old relative funding model, which measured empirically the average cost of a place at various disciplines and then adjusted the funding to the mean. Would that be a fair description? This is very different from the old funding model.

Mr Burmester—Yes. The RFM was only used once in the early nineties to make adjustments across the sector. The notion of the relative costs of courses has been used from time to time to try to adjust funding differences between institutions, but it was a pretty crude attempt, because it was balancing load and discipline mix in one or two institutions at any one time. The new arrangements are more transparent and equitable in that each student in the same course will get the same Commonwealth contribution to that course, plus any additional funding from a regional loading point of view that the university may get. But the basic funding structure is that, for each discipline, each student undertaking that discipline—anywhere in Australia—will get that level of contribution from the Commonwealth.

Senator CARR—As I understand it, the new arrangement strikes a rate that the Commonwealth will pay institutions in various disciplines—that is, a contribution to the course cost; and the student will contribute to HECS. Is that right?

Mr Burmester—The university will determine the level of HECS for any particular student undertaking a course and then, if that student pays that contribution up front, the money flows straight to the university. If the student takes out a HECS loan for that contribution, the Commonwealth will pay that amount of money to that institution.

Senator CARR—I understand that. What I would like to know is this: on page 13 where you have listed the clusters of funding mix, how did you calculate the rate of course contributions? How did you calculate that law would have a Commonwealth contribution of \$1,509?

Ms Fernandez—It is based in the RFM. It is basically the average funding rate for that particular discipline across the sector at the moment.

Senator CARR—So it was based on the RFM?

Ms Fernandez—That is right.

Senator CARR—When I look at the RFM and the indexation arrangements that might normally be applied and the course costs adjustment at 2003 prices, I have some figures which suggest to me that in 1997 the course costs for arts, humanities, admin. business, economics and law were \$6,836. Adjusted to the 2003 prices, that is \$7,663.

Ms Fernandez—That includes HECS.

Senator CARR—If I take the HECS out of that, how much would that be?

Ms Fernandez—If it is for humanities, it would be \$4,180.

Senator CARR—So that is still nearly \$3,000. How much are you paying a year for law?

Ms Fernandez—It is \$4,180—I am sorry; for humanities. I thought you were talking about—

Senator CARR—But it is arts, humanities, law, legal studies—that was in the band, wasn't it?

Ms Fernandez—The RFM has also HECS bands matched to it. For example, law is in the top HECS band and I am not quite sure but humanities is probably in the bottom HECS band. When you disaggregate the HECS bands across the current RFM, it creates the 10 clusters that you see here. So if you take the law HECS rate away from that figure, you will end up with \$1,509; and if you take the humanities HECS rate away from the same figure, you will end up with \$4,180.

Senator CARR—Are you saying that it is consistent across all those discipline mixes?

Ms Fernandez—That is right.

Senator CARR—Is that what the vice-chancellors are telling you? Is there not a matter of dispute between the Commonwealth officials and the vice-chancellors on the cost of that funding mix?

Ms Fernandez—I am not aware of any, no.

Senator CARR—Didn't the vice-chancellor at Melbourne University recently say to the National Press Club that the Commonwealth proposals in terms of the course mix were unworkable?

Mr Burmester—No. I understood that the vice-chancellor of Melbourne had indicated support for the package.

Senator CARR—He did, but he said that these particular aspects were unworkable.

Mr Burmester—Unfortunately I was not at the press club, so I do not know these comments.

Senator CARR—I only heard it on the TV, but he did go in the next breath and suggest that, despite it being unworkable, we should as senators agree to the passing of it—which I found breathtaking. Have you not had any representations that these course mixes were unworkable?

Mr Burmester—No. I do not know what aspects he was referring to, if and when he made those comments. He is free to contact us and tell us his views and how we might think about sorting out the arrangements so that they are workable. We believe they are workable; they are straightforward, transparent and equitable.

Senator CARR—How did you get the valuation, for instance, on the agriculture list at \$16,994? How was that figure worked out?

Ms Fernandez—In the same way as the others.

Senator CARR—So you just took the old RFL and then took the HECS fees off it?

Ms Fernandez—Yes.

Senator CARR—Have you had any discussions with any institutions about the level of HECS fees they will actually charge in relation to these particular programs?

Ms Fernandez—No.

Senator CARR—You have had none at all?

Ms Fernandez—No, Senator.

Senator CARR—The current funding arrangements do have a component for research within them, don't they?

Mr Burmester—No. The research funding was changed as a result of the knowledge and innovation reform, so that the three components of research were moved to a performance base and amalgamated to form RTS, IGS and RIBG, and they are the research funds that are identified and provided specifically on research performance to the university. How the university uses its income from the Commonwealth grants scheme, its allocations under those performance research schemes, its own income and its fee income is up to the university, but there is no separately flagged, designated, identified component of research in these funds.

Senator CARR—Please explain this to me again. In the current operating grant, is there any component that has been apportioned against research within the university?

Mr Burmester—It would be up to each individual university to allocate the funds it receives in the way it wishes. There is no component within the operating grant identifiable as 'for research'.

Senator CARR—No. Does it not underwrite research infrastructure—for instance, libraries funding? Where would that be?

Mr Burmester—That is part of the funding for their student load. Again, it goes to the university's internal allocation of funds.

Senator CARR—But within your funding formula up until this point has any consideration been given to underwriting the research capacity of a university by having built in to the operating grant any moneys for research infrastructure?

Mr Burmester—There is not an identifiable component within the operating grant for research. Some people have identified a component that may on average be used by universities for research type activities, but they are usually defined in different ways by different universities. Effectively the Commonwealth is saying that there are funds distributed on the basis of places under the Commonwealth grants scheme and at a funding rate indicated in the policy statement. Separately from that, there are three pools of research performance funds which are allocated on the basis of differing research performance measures, and they are provided as quite distinct from the first funds. How a university uses its total revenue to undertake the activities that that university wants to undertake is up to the university.

Senator CARR—Where do I find the funding for libraries within the current operating grant?

Mr Burmester—It is up to the universities themselves to determine what funds they provide to their libraries, and from which source. I would not have thought many universities actually allocated funds for expenditure on the basis of the source of those funds. They are fungible, once they are received by the university.

Senator CARR—What about other capital within the building program? Is there a separate line of funding for capital, apart from the capital development pool moneys?

Mr Burmester—No. The capital development pool is maintained for special projects to assist in those projects. There is no separate identifiable capital component within the

operating grant or in the Commonwealth grants scheme. It is up to the universities to determine these matters.

Senator CARR—In regard to the funding of medicine, what was the rationale for excluding medicine from the option of charging full fees when the places were introduced for all courses in 1998? Do you remember that?

Mr Burmester—The health portfolio and minister are responsible for the medical work force. In that portfolio, obviously the provision of medical services and the costs of their programs are linked to the providers of those services. They manage the medical work force, either through allocating places to universities for future trained doctors or through other mechanisms, such as the allocation of provider numbers. When we allowed fee paying to occur in undergraduate courses, medicine was excluded on the basis that the department of health would continue to control the total numbers of medical graduates.

Senator CARR—What is the rationale now for it?

Mr Burmester—On a similar basis—that is, while there is no absolute preclusion of fees, there will be controls on the number of fee payers in medical schools at a lower level than those in any other discipline, where it is going to be 50 per cent of the course enrolment.

Senator CARR—What is the rationale for removing the prohibition of fee charging for postgraduate teaching education in nursing, which of course leads to the initial registration?

Mr Burmester—Once again it is a matter of something that had been determined some years ago—that is, with the passage of time, the reliance on those particular courses for initial graduation has diminished and some universities do not provide those courses anymore. It was a matter of just tidying up the regulatory environment to say that those courses at the postgraduate level were no different from any other postgraduate courses and that universities could choose to charge fees for those courses if they so desired.

Senator CARR—Doesn't this, by its nature, lead to an increase in the financial burden that students will be obliged to carry, particularly in areas which have now been designated as priority areas for the Commonwealth?

Mr Burmester—The provisions in this package for education in nursing, in regard to students, actually limit the cost increases. Students cannot be charged any more than they currently would be under HECS. The contribution the Commonwealth makes to their courses has been increased, and the way by which they get their awards and initial qualifications is up to the universities to determine, within that funding regime. A number of universities, as I have said, have moved to different ways of meeting initial registration requirements in regard to teaching and nursing, and this was a way of allowing freedom and deregulation in that area.

Senator CARR—We had a private briefing the other day. Mr Burmester, did you not agree to give me a reverse pipeline on the funding arrangements for places within this package?

Mr Burmester—Yes, we can do that. We have a table that shows you the arrangements for that.

Senator CARR—Thank you. May I look at that, please?

Ms Fernandez—Are you talking about the reverse pipeline for the marginals?

Senator CARR—I was asking for two documents: one was the reverse pipeline on the marginals, and the other was the new entrants to the system. That is the second one you have now provided me with, is it?

Mr Burmester—We have this one, which is the new places flowing into the scheme. It is merely an oversight about the reverse pipeline. We can get you that table very quickly.

Senator CARR—Can I have a look at that? It might save a lot of time. How are you going to organise the distribution of these marginally funded places?

Mr Burmester—The marginally funded places will be phased out from those institutions that currently are overenrolled, so it will depend on what their level of overenrolment is. But I would say that, for those institutions, such as Charles Sturt, that use marginally funded places for industry based places, we might have a different treatment for how we take places out. They will just come out as the students finish their courses—that is, reverse pipeline. The 25,000 new places will be allocated by the Commonwealth minister after he has discussed models for possible approaches with his state colleagues.

Senator CARR—Let me go through this. We are looking at the new places that have been created as a result of this budget measure. That is the bottom half of the top table. Is that right?

Ms Fernandez—That is right.

Senator CARR—So the new places created in 2004 number 444.

Ms Fernandez—Correct.

Senator CARR—So that table is right?

Ms Fernandez—Yes.

Senator CARR—And that is 1,108 for 2005-06 and 1,665 for 2007. So in the forward estimates period, if we take it out—what is it, three years?

Mr Burmester—To those figures you read out, you have to add in the top line of that table, which indicates the 25,000 new places that come in from 2005. So it is not the total that you read out there that is the total number of new places; it is that figure plus the top line of that table.

Senator CARR—When I look at your table, it says ‘total new places’ on the bottom line. Is that what it says? Have I misread that?

Mr Burmester—The table has two categories within it: one is the reallocation of marginal places, which is the 25,000 new fully funded places; and the other is what we in our own local terminology call the new places, because it is a package of five or six sources of new places, additional to those that replace the marginally funded ones.

Senator CARR—That is what I am interested in: the number of new commencement places.

Mr Burmester—If you add the top line and the bottom line of that table, you will get the number. So in 2005, instead of 1,108 it will be 10,208.

Senator CARR—If I look at the next line, I see ‘growth places’. There are no growth places until 2007. Is that right?

Mr Burmester—Again, it is local terminology. These are places for which, after we have provided the 25,000 fully funded places, there is an additional provision to further increase the numbers in line with population growth, so that the number of funded places continues to grow with the population in Australia. We have shown the first three years of that program, and we have called them ‘growth places’. As you see, they kick in for each of those years; they start a cohort in each of those years.

Senator CARR—So we have no growth in the first three years?

Mr Burmester—We have 25,000 places going in in the first three years.

Senator CARR—What is the unit cost here? What are you calculating it on, for funding purposes? What is the unit cost now?

Mr Burmester—We have included that at the bottom of the page that you have. They are the Commonwealth grant contributions to the average discipline mix that those places will be provided at.

Senator CARR—What is the average?

Mr Burmester—For the marginal places, it will be an average Commonwealth grants scheme rate of \$6,812.

Senator CARR—There was a time when you worked it out across the system, and wasn’t the figure \$8,200?

Mr Burmester—You are comparing apples with oranges. This is now the Commonwealth contribution to these places under the Commonwealth grants scheme. In the past there was a concept of an operating load or funding rate, which included the HECS contribution from the students. This does not include a HECS contribution, because that is up to the university to determine.

Senator CARR—So we have to add the HECS contribution to this to get the cost of the place?

Mr Burmester—To get the resources that the university would have available from having that place, yes. But we do not know what the HECS costs will be in any particular institution.

Senator CARR—So how can you fund for the place?

Mr Burmester—That is our contribution. That is funded and costed as part of our Commonwealth grants scheme allocations, and then the HECS component is funded under the HECS allocation—which is basically the existing HECS funding level derived from the existing estimates of a component of the operating grant, plus the increases shown in the table, and that adds up to \$800 million on the last page of the document. We have a table with the reverse pipeline, and it assumes a starting position of 27,000 overenrolled places. That is how it is rolled out. We could provide that.

Senator CARR—Thank you; I appreciate that. I take it that for Hansard purposes these are all authorised for tabling. I move:

That all the documents that the department has provided today are to be tabled documents.

CHAIR—That is agreed. It is so resolved.

Senator CARR—That covers us for all of them. Are there any others that we have missed? Do we have a copy of the marginally funded ones? That is coming too, is it?

Mr Burmester—Yes, that is coming.

Senator CARR—Thank you. What is the total funding package then, in the forward estimates for university places?

Ms Fernandez—Which places do you mean? For the nursing, the new places that—

Senator CARR—For the total new places—

Ms Fernandez—That is split up across a number of disciplines.

Senator CARR—as distinct from the marginally funded places, which are being phased out. Would it be a fair thing to add the nursing places, medical places, national priority places and growth places together?

Mr Burmester—Yes.

Senator CARR—And would it be fair that we do that across the three years to get a figure for the forward estimates?

Ms Fernandez—Yes.

Senator CARR—In terms of the forward estimates and the extra load, the extra new entrants to the system, the reverse pipeline is actually phasing out of the system people who are already in it?

Mr Burmester—It phases out the places being funded on a marginal basis. At the same time, the top line introduces 25,000 places over three years. The universities may well provide some additional places, beyond that replacement level, through the flexibility of having fee payers and the introduction of fee help.

Senator CARR—No. This whole package presumes that the growth will effectively come from fee payers.

Mr Burmester—No. Over the period that we have talked about, 31,500 places are coming into the system at the time that 27,000 or 25,000 marginally funded places are taken out of the system. Included in that 27,000 or 25,000—we do not know the exact number of marginal places at this point—are some places that will be converted to industry based places, such as at Charles Sturt. So there is growth in the system and, not only that, the growth is locked in through those future provisions from 2007 onwards, to match population growth.

Senator CARR—You have 27,000 coming out; you have 31,000 going in.

Mr Burmester—Of that 27,000, some of those will be converted—

Senator CARR—How many?

Mr Burmester—Several thousand.

Senator CARR—Several thousand!

Mr Burmester—Yes. Charles Sturt is probably one of the most overenrolled universities at the moment. They have 4,000 overenrolments. A large portion of those are industry based

places that they operate through the marginally funded mechanism, but in fact they are supported through employers, such as the New South Wales Police, who provide facilities and lecturers and so on. So those places get converted straight to fee paying places under the industry arrangements.

Senator CARR—So let us say that there are 4,000 there. Taking the 27,000, we can take the 4,000 off and that is 23,000.

Mr Burmester—And we are up to 31,000. So it is quite a significant increase.

Senator CARR—So 31,000 from that means that the additional places are 7,000.

Mr Burmester—That is correct, with ongoing growth into the future.

Senator CARR—That might be, but ongoing growth accounts for the whole system. That is the nature of these things. Once they are set into the base, there is ongoing growth. But I am interested to know that in the forward estimates the additional capacity, additional persons in the system, will be 7,000.

Mr Burmester—Yes, about that.

Senator CARR—Thank you; that is what I was looking for. I am going to place a number of these matters on notice so that you can get your tea a bit earlier. Can I ask you to look at the triennium report and the equity measures that are listed on page 19? This is to do with my concern about the suppressed report. This is one document that has seen the light of day. Is it a reasonable interpretation to say that the share of domestic students or students from low socioeconomic backgrounds, as a percentage of the total load, has declined over the period from 1991 to 2002?

Mr Burmester—I cannot see a figure for 1991. The graph on the following page, page 20, shows the movement of equity groups since 1996, and the graph on page 24 shows the movement of Indigenous students from 1993.

Senator CARR—I see that too. What I am interested in is the table on page 19, showing the share of domestic students for 1991.

Mr Burmester—I am sorry; I did not see the first column. I have highlighted the third column.

Senator CARR—You tend to do that when you are in government! Would you compare that with the figure in the final column, which you have highlighted?

Mr Burmester—Yes.

Senator CARR—It does seem to me that the share has declined. Would you agree?

Mr Burmester—For low socioeconomic, yes; it has gone down from 14.7 to 14.5. I would say that that has been maintained, rather than that it has declined.

Senator CARR—Students from non-English-speaking backgrounds?

Mr Burmester—That has moved from 4.1 down to 3.3.

Senator CARR—Students from rural areas?

Mr Burmester—That has moved from 18.4 down to 17.4. I am glad you have got me reading these into the record.

Senator CARR—I just want to get them on the record.

Mr Burmester—They are on the record. This is a document that has been tabled.

Senator CARR—And students from isolated areas? We do not know about them: the 1.9 moved to 1.3. You would agree with that. That is why I want to see this suppressed report, because I figure that you have probably done a bit of research on that. With a table like that in a triennium report, you would be worried about that, and you would be able to tell me what additional matters have come to your attention. You would have told the minister about this and he would have been concerned, since he has placed such an emphasis on equity in this package.

Dr Harmer—We cannot comment on that, nor can we agree with your description of the report.

Senator CARR—My analysis, no. Nor about his concerns either, I would have thought; you would be hard pressed on that. That is why I ask the question about this miserable number of scholarships at \$2,000 a piece. That does not keep people in pencils, does it?

Mr Burmester—It is a contribution to their education costs for one year of their course.

Senator CARR—Tram fares, do you think? What does \$2,000 get?

Mr Burmester—It is a contribution towards their educational costs.

Senator CARR—How many people from a low socioeconomic background enter the system every year? Would 26,000 be right?

Mr Burmester—Let me look it up. If you take the 14½ per cent off the enrolments as an indicator and apply that to the number of commencing students, you get a figure. I have never done that calculation.

Senator CARR—On page 24 of this document, they already do it for us. It is very helpful of whoever wrote the cabinet submission, which I presume is the basis for this. It says 26,000 full-time students from low socioeconomic backgrounds start in the system every year. That is an annual figure, isn't it?

Mr Burmester—Yes.

Senator CARR—How many scholarships are you going to offer? This is the \$2,000 tram fare scholarship.

Mr Burmester—There are 5,000 new scholarships awarded each year, and we expect there will be 17,630 students in receipt of scholarships in the year. That will include those who carry them on from previously.

Senator CARR—I see; that is 2007. So over the four-year period there will be over 100,000 students from working class backgrounds. I must say that one of the problems with our higher education system is that there are so few, but you are only offering one in four the \$2,000 pin money scholarship. That is how it works, isn't it? For Melbourne people, \$2,000 would not get them their tram fare, would it?

Mr Burmester—The intention is that by 2007 there will be 5,000 new scholarships offered for those target groups.

Senator CARR—That is right. But just in one of the target groups—not the others I have mentioned, the students from non-English speaking backgrounds, the students from rural or isolated areas, or the students with disabilities—there is just one measure, and that is 26,000 per annum.

Dr Harmer—Is there a question in that?

Senator CARR—There is. Have I got my sums right? How adequate are these equity measures? Was there a detailed modelling exercise done on this?

Mr Burmester—You basically have the facts there: there are 26,000 commencing students and there will be 5,000 scholarships allocated.

Senator CARR—And in a budget of nearly \$4 billion, how much are we putting into these equity scholarships? It is an equity initiative of what, \$300,000 next year? Gee, that is generous!

Mr Burmester—The scholarship programs will provide \$161 million to students over the four years.

Senator CARR—And in a \$24 billion program, or thereabouts.

Mr Burmester—This is money that goes directly to the students who gain the scholarships. It is different from funding universities.

Senator CARR—Given that the equity measures seem to indicate a fall in the equity participation rates—and the suppressed report no doubt will detail that—do you think we could be doing a bit more in this area?

Mr Burmester—The government has allocated \$161 million for scholarships to these equity groups. At the moment, there are none.

Senator CARR—Thank you very much. I will put the rest of my questions on notice.

Proceedings suspended from 6.00 p.m. to 7.32 p.m.

CHAIR—We now turn to issues relevant to the International Group.

Senator CARR—I was wondering whether I could get some assistance with some matters that the AVCC have raised. With the new student visa packages, why was it necessary for the government to increase the student visa card?

Mr Gallagher—To answer your question, we need to, firstly, understand that the budget provides for an additional \$113 million expenditure on international education on top of all of the activity that the Commonwealth already funds directly through the education portfolio but also through the foreign affairs portfolio and other portfolios. The upshot is that the student contribution to the total expenditure in the final year 2003-04 with the changes to the student visa charge and the CRICOS charge will represent 28 per cent of the total spend. So the student contribution all up is less than one-third.

The governments from time to time have increased charges such as visa application charges. They normally go to consolidated revenue. In this case, the government has

dedicated the revenue to expenditure on enhancing the internationalisation of Australian education and training to do two things: to improve the diversification of our engagement and to improve the quality. That means to underpin the sustainability of that export sector. The students benefit as a result of that by having safeguards for the reputations of the qualifications they obtain from Australia. The institutions benefit by better reputation as well. A fair proportion of the money is dedicated to improving the promotion of Australia, including information services to students. So it is appropriate in that respect that the students make a contribution.

Senator CARR—What is the total revenue effect of the student visa application charge and the increase in education services for overseas students fee?

Mr Gallagher—Over the four years for the forward estimates it is \$69.9 million of which there is \$13.5 million in 2003-04.

Senator CARR—Does that include the education services for overseas students fee as well?

Mr Gallagher—No. The CRICOS charge is a total of \$19.8 million over that same period and \$3.9 million in 2003-04.

Senator CARR—So how much additional revenue do you think you can raise from the industry as a result of these measures? That is the sum of those two figures. Are there any others I haven't mentioned? There is the compliance enhancement figure as well, isn't there?

Mr Gallagher—No. The compliance enhancement figures are expenditures.

Senator CARR—So what is the revenue, then?

Mr Gallagher—It is just short of \$100 million.

Senator CARR—So are you spending \$131 million and you are raising \$100 million out of the industry. That is what is happening, isn't it? It's not quite as generous a package when you look at it like that.

Mr Gallagher—You have to see it as additional to the effort that the Commonwealth is putting in. I think you need to see it in proportional terms. For instance, the CRICOS charge represents less than 0.2 per cent of the revenue to the providers.

Senator CARR—You know how fond I am of quoting vice-chancellors. But I see here that they are of the view that this is a 13-fold increase in the registration charges. They go on to say that there is a 300 per cent increase in the charge imposed directly on new overseas students.

Mr Gallagher—Always trust the department's figures.

Senator CARR—I should, should I?

Mr Gallagher—Yes.

Senator CARR—Over the years, that has not always been the case, has it? Unless you have a suppressed report you want to give me now.

Mr Gallagher—I can explain that the total increase is from \$315 million to \$400 million. My calculation is that that is about 26 per cent. That is not 320 per cent.

Senator CARR—I do not want to misquote Professor Schroeder because I know how accurate he is. He says it is 300 per cent.

Mr Gallagher—Well, the AVCC secretariat generated that figure by identifying an element of the student visa application charge that they regarded was for student information purposes of \$34. Then there was an increase of \$77 which makes it \$111. They forgot that there is also a CPI factor of \$8 in that, so even on that assumption it is a wrong calculus. In the overall, it is a less than 30 per cent increase.

Senator CARR—They go on to point out that some individual university registration charges will be increased from less than \$10,000 per year to nearly \$200,000 a year. One will pay \$250,000 a year. That is Monash. They are required to pay an additional \$240,000 a year. That is a lot of money for a struggling institution like Monash.

Mr Gallagher—This is a lucrative export industry. These are serious revenues. The \$2.2 million per annum that universities pay for the CRICOS charge is a proportion of the \$1.26 billion that they earn in a year. That is less than 0.2 per cent.

Senator CARR—I am wondering about the timing of this. We have SARS, a war, the crisis in the tourism industry, terrorism and now this visa charge, which they tell me here is a 13-fold increase. Do you think you gave an adequate timing to all of this? Is this the right time to do this sort of thing?

Mr Gallagher—Yes. Let's take SARS, for instance. One of the things that SARS can tell us is that shocks can happen in systems and this they can spread globally on an unpredictable basis and very rapidly. SARS occurred in regions where Australia currently has concentrated its major markets in the international education business. It has exposed the vulnerability of that concentration so it is timely that this package looks to diversify our engagement. We are too vulnerable and reliant on those few source countries in such concentrations. The budget papers use an interesting term of 'mild drag', being the impact of SARS, terrorism, Iraq, aviation downturn and a gradual appreciation of the Australian dollar. It is a mild drag across the services industries generally, which is close to our approximation of what is happening in the education business. These reasonably modest increases in cost to students have to be put against the total package of the Australian offering, which still remains price competitive against others. It will not be of a magnitude that will reduce demand. We have absolutely no evidence to suggest that putting up prices by these margins will lead to a reduction in demand for Australian education. To the contrary, we probably could do with an improvement in price so that we move to compete on quality rather than price.

Senator CARR—The dollar at the moment is about US66c or thereabouts—66c or 70c.

Mr Gallagher—It is 66c I heard this morning.

Senator CARR—Pushing 70c. If you put it together with all those other factors, such as SARS, terrorism, this crazy war in Iraq, they are all having a big impact on the tourism industry. I would have thought there is a strong correlation between the tourism industry and the overseas student industry and the international education exports. It seems to me that you may have got the wrong time to do this sort of thing.

Mr Gallagher—As I said, the SARS outburst indicates that we do really need to invest now in a longer-term positioning strategy for Australia. But my colleague Mr Zanderigo has done some work on the exchange rate that you might find fascinating.

Senator CARR—That is good. I have been asking about it for a while. What is the impact of the dollar at US70c? What sort of impact is that going to have on our recruitment capacity?

Mr Zanderigo—We could not model that.

Senator CARR—You haven't been here before, have you?

Mr Zanderigo—Not for this committee.

Senator CARR—I hope you enjoy the experience.

Mr Zanderigo—We can identify that the dollar would need to appreciate to something like US81c before the overall cost package for studying in Australia became on a par with US public institutions. It would have to be something like \$US1.44 before it came on a par with US private institutions. So we would not anticipate that the increase that is currently occurring would have much impact on demand.

Senator CARR—When did you do this modelling?

Mr Zanderigo—We have done this modelling in the last couple of weeks.

Senator CARR—Have you noticed any change at all in the period since the dollar has moved from 46c through to 66c?

Mr Zanderigo—No. We have done some other analysis by looking at the relationship over time between student visa grants and movements in the exchange rate. There would appear to be little correlation, if any, at each point in time between those two factors. That is, at some points when the exchange rate is appreciating, student visa grants actually go up.

Senator CARR—How do you explain that?

Mr Zanderigo—There are other factors that would be operating in the market. Indeed, on occasion, the impact of student visa policy would probably have a much bigger effect.

Senator CARR—So you think there is a correlation between competing on quality rather than on price? Can you give us the strength in demand?

Mr Zanderigo—The analysis I just outlined would not show everything.

Senator CARR—It would not?

Mr Zanderigo—No.

Senator CARR—Let me go through that again. Your analysis shows that it is not quality, it is price, that affects the demand?

Mr Zanderigo—No. The analysis simply shows that for a whole mix of factors that might be at play at any given time an appreciation of the exchange rate does not seem to produce a decline in demand.

Senator CARR—So how important is the quality, then?

Mr Zanderigo—As a factor in what?

Senator CARR—In demand.

Mr Zanderigo—In demand, it is a strong factor, we believe. That is why students choose Australia as opposed to other destinations.

Senator CARR—Have you any studies that highlight the relationship between demand and quality assurance?

Mr Gallagher—We do not have a systematic set of results yet. We have some observations of decisions made by a number of universities to increase their prices over the last several years where demand has gone up as price has increased. So there seems not to be strong price elasticity. We have had this discussion with you before about investigating the price elasticity of demand. That is a very difficult methodology because of the investment component. It is not simply a consumption expenditure. We are looking at the methodology for doing that at the moment.

Senator CARR—So are you going to do an inquiry or an evaluation?

Mr Gallagher—We want to model the price elasticity of demand for education services. Other countries have tried to do it and have given up. It is not a simple matter, but we think it would be a valuable tool.

Senator CARR—I think it would be essential.

Mr Gallagher—All of the information available to us at the moment is simply that the higher the price, the stronger the reputation, particularly in Asian markets where price is seen as a proxy for quality. Australia is priced relatively low. We are not necessarily attracting the quality students. We have such global demand that we need to be more selective and we can be more selective. We should select on the basis of quality rather than price.

Senator CARR—I am pleased to hear you say that. As you know, I have had concerns on this issue for a long time, particularly at the lower end of the market. Reputable providers have drawn my attention repeatedly to this problem. You are saying we are not attracting sufficient numbers of quality students—have I understood you correctly—under the present regime?

Mr Gallagher—I think the mix could be improved to Australia's benefit.

Senator CARR—What are they telling you about the students that you do survey and you do make inquiries about? What are they telling you about their experience of universities here?

Mr Gallagher—What students are saying, including in their response to this budget package, is that they want value for money. They are not necessarily looking for the lowest price. They want a quality education. They have expressed some concern—I think it relates to the concentration of reliance at the moment on a narrow range of markets—that they are not getting a broad international experience. It is certainly not meeting their expectations in terms of the social and educational interactions they have with students from other countries. There are too many students from similar countries moving through programs and not sufficient diversity to widen the international experience for everybody, the Australian students and the international students. Some would like more personal service, more customised services. There is an interesting irony in all of this. As a number of the universities have reported to us,

as they have gone up the quality ladder, the expectations of students regarding facilities on campus and contacts with staff rise.

Senator CARR—So you think they have an expectation of a higher quality service?

Mr Gallagher—Yes.

Senator CARR—And part of that is actually mixing with Australian students?

Mr Gallagher—Yes. There is mutual benefit.

Senator CARR—That is what I would have thought was one of the great strengths of the program.

Mr Gallagher—Therefore we need to diversify because you are not getting that mix of the international experience when you are so reliant. About 80 per cent is drawn from Asian countries at the moment.

Senator CARR—Our competitors are not the United States, are they? Who are our main competitors?

Mr Gallagher—The United States is kind of a like a passive competitor. It is like a magnet. It draws other countries' demand to it rather than goes out seeking it. The United Kingdom and Canada and increasingly some parts of Asia themselves, such as Singapore and Malaysia and parts of Europe—some parts of which have excess capacity with the ageing of the population; many parts of which now seek to internationalise themselves—are offering programs that are competing with the quality end of the markets in these other countries. So we could well sustain a flow of student volume, but we could lose out on the best students. That is not what we are trying to do.

Senator CARR—It is detrimental to the sustainability of the industry.

Mr Gallagher—Yes.

Senator CARR—Is that the argument?

Mr Gallagher—Yes.

Senator CARR—With the modelling comparing us to the United States, how relevant is that given our competitors of Singapore, northern Europe, Canada and the United Kingdom? Does your price elasticity argument in terms of the exchange rate apply to them as well?

Mr Gallagher—Tony's work has also modelled UK price comparisons.

Senator CARR—What is the result of that?

Mr Zanderigo—Bear in mind that the analysis is all pegged around the US dollar. Assuming that the relationship holds steady otherwise, our dollar would need to rise to about US94c to come on par with the UK costs.

Senator CARR—Do you think we are doing enough in terms of the quality assurance regime, if that is the argument that the department is holding?

Mr Gallagher—This budget package has been very fulsome contribution in shoring up our quality assurance, both in Australia and for the first time overseas. The moneys that are obtained from the additional appropriations and the contributions by institutions and by

students largely flows to ensure that we have a clean industry in Australia that will be reputable with genuine providers and students and that offshore we maintain standards and build a reputation for Australia, including where Australia partners with others, that will meet the expectations of people in the other countries, whether they are the governments or the students.

Senator CARR—I am interested in what you are intending to do with this additional money. As you know, I strongly support improved quality assurance regimes. We have argued this case for many years. In terms of the ESOS, the onshore compliance enhancements, what do you intend to do to see that there is greater quality assurance amongst the providers here?

Ms Henry—We intend looking at the compliance strategy that we have in place and enhancing that significantly. We will look to more rigorously use the powers that we have under the ESOS Act. We would progress or certainly look to progress the use of, for example, monitoring warrants under the act. We will make greater use of the provisions to deal with registered providers without the financial capacity to stay in the industry. We will take more collaborative action with the states and territories to remove providers of concern from the industry. We will take advantage of the information matching using our PRISMS data to better target compliance activities. So when we add together the range of activities that we will look to enhance, we feel that we will significantly increase the output of the compliance activity we will undertake.

Senator CARR—I thought you said you are prepared to be more rigorous in the enforcement of the ESOS Act. Did I understand you correctly?

Ms Henry—Yes.

Senator CARR—I take it you are now acknowledging you have not been rigorous enough up to this date.

Ms Henry—I think we have been in various areas, but we have had resource constraints that have meant we have had to take a risk management approach with some activities.

Senator CARR—Am I right that you now have the code that a risk management approach means you do not have enough resources to actually enforce the law properly?

Ms Henry—No, that is not correct. What I have been trying to say is that when you have limited resources, you have to make some decisions about priority areas for targeting activity.

Senator CARR—As a result of the fact that you have not had sufficient resources, how many crooks do you reckon have been able to continue to operate in this country who should not have?

Ms Henry—I am not sure there are any.

Senator CARR—None at all?

Ms Henry—There may well be, but we have attempted to contain that.

Senator CARR—So I will not need to come here with 30-odd bodgie operators in the future? You will be able to sort that out for us now, will you?

Ms Henry—I cannot guarantee that, but we will increase our activity as we can.

Senator CARR—I am pleased to hear that.

Dr Harmer—We will be doing better.

Senator CARR—I am pleased to hear that as well. I am genuinely delighted. I think the campaign the opposition has run on this has obviously had some impact in terms of the government's thinking. I trust that they are able to follow through with their resources. When you say you now have more resources, do I take it to mean that you will actually be employing more people?

Ms Henry—Yes, we will.

Senator CARR—I am told it is 45. Is that right?

Ms Henry—Not for compliance activity. That was for the total package. In fact, I do not think it was 45. I think it was 40.

Senator CARR—So we get 45 more Commonwealth officers, do we? Is that part of the package?

Ms Henry—No, I do not think it is 45.

Mr Gallagher—There is a total increase of the order of 40 ASL for the department in respect of these packages. But that includes the expansion of our council network as well as resources—

Senator CARR—So there are overseas jobs in it as well?

Mr Gallagher—There are four new overseas posts being opened up, yes. But the bulk of the resource is dedicated to compliance and quality assurance work.

Senator CARR—That is 36 people here working on quality assurance? That is an additional 36 in this country?

Ms Henry—No.

Senator CARR—How many?

Ms Henry—There will be somewhere between 10 and 12. It depends on the type of strategy that we introduce and the level of resourcing commensurate to that.

Senator CARR—Let's get this right. We have four overseas counsellors and we have 10 compliance officers. That is 14. What is happening to the rest of them?

Ms Henry—There are additional resources being put into the offshore quality activity as well, which is an offshore compliance activity.

Senator CARR—These are DEST officers, not DIMIA officers?

Ms Henry—Yes, that is correct.

Senator CARR—So it is more than four offshore?

Ms Henry—No. They are actually going to be in the national office but working on offshore compliance.

Senator CARR—I am always interested to know about the travel opportunities in the department. How many of them are working on the offshore compliance?

Ms Henry—We will still be determining that figure.

Senator CARR—What does that mean? Checking visas?

Ms Henry—No. We are still determining what the resource allocation needs to be to undertake that work.

Senator CARR—You can tell me there are going to be 40, but you cannot tell me what they are going to do.

Ms Henry—No. We actually have allocations made, but until some of the strategies are developed we are unable to give specific figures in some cases.

Senator CARR—But you know there will be 40 of them?

Ms Henry—We have allocated—

Senator CARR—It is a job creation scheme, is it?

Ms Henry—No, absolutely not. Those resources are needed for every one of those activities.

Senator CARR—Will they be duplicating DIMIA officers, or will they be undertaking independent work?

Ms Henry—No. They will be undertaking independent work.

Senator CARR—But you can't tell me what that is?

Ms Henry—In relation to compliance, the set of activities that I have listed is the type of work that we will be undertaking.

Senator CARR—What sort of activities? Will you will be able to check attendance records and that sort of thing?

Ms Henry—We will use the powers of the ESOS Act. We will undertake the compliance activities in accordance with those powers.

Senator CARR—Have you fixed up the fit and proper person test within the ESOS Act yet?

Ms Henry—No. In relation to the questions you asked last time, I think we mentioned that, if there was any need to review that provision, it may well be done under the evaluation of the act.

Senator CARR—But with 40 additional officers you might be able to discover more about what is happening in the industry so that it might facilitate the evaluation.

Ms Henry—We will certainly be looking at enhancing our knowledge.

Senator CARR—That is good. Where did this initiative come from? Was it a departmental initiative or an industry initiative?

Mr Gallagher—In developing this package we did consult with the industry. There is a strong willingness on the part of the genuine providers to safeguard their reputation by making sure that non-genuine providers are not able to continue. So our own assessment of the need, the support from industry, together with the need for the Commonwealth to work cooperatively with the states and, if necessary, to undertake activity where the states will not

has led to the formation of this package. There is another dimension to it, which is the offshore side, which we need to talk about.

Senator CARR—What is that?

Mr Gallagher—At the moment, we have for ESOS probably the world's strongest provider of accreditation consumer protection regime in the world, but for jurisdictional and simply logistical purposes we cannot extend the ESOS Act overseas. We have the Australian Universities Quality Agency, which is able to audit the operations of universities offshore on the assumption that an Australian university will offer in another country a program of study leading to an award at an equivalent standard it would offer in Australia. So the AUQA can audit offshore and check the comparability of those offerings with the standards offered in Australia. But outside the universities we have no way of distinguishing quality bona fide Australian providers from other operators.

Other countries have made representations to us—notably, large countries like China, India and Malaysia—that they would like the government to be able to distinguish between quality bona fide providers and others. So, not being able to extend the ESOS Act internationally, we can either leave it to the market, which could damage the Australian reputation, or we can explore an industry self-regulation approach to look at how we can develop a set of protocols for the operation of Australian education and training providers in other countries. That is what we seek to do. That the government has provided resources for us to explore with the Australian institutions and providers our options for developing a quality trademark for Australian education overseas and mechanisms that can lead to an industry self-regulation approach in support of that trademark.

Senator CARR—I was in China recently, and this very issue was raised with me by the vice minister for education. I asked directly what action we could take to improve our performance with regard to attracting students from the People's Republic. The very point you make was raised with me. He mentioned a New Zealand working party that the Chinese government and the New Zealand government is involved in. Are we involved in a similar working party?

Mr Gallagher—I understand our counsellor in Beijing has been having discussions with the Chinese authorities in that respect, but we have not finally settled the matter.

Senator CARR—I presume you had a report from your counsellor in China about our visit?

Mr Gallagher—Yes. She said it went well.

Senator CARR—She's dead right. I must say I was very impressed with her work, if I might put that on the record. But I was surprised at the frankness with which the Chinese vice minister approached this issue. You say that these matters have been raised now with a number of countries. I take it the Chinese have also approached our post directly, apart from the visit with the Labor Party delegation?

Dr Jarvie—I think they raised it with us when they were over here. The minister was over here and we went out to dinner. I believe he raised it then. It is the same with the Malaysians.

They raised it in a relatively low-key way. It was not a formal letter or anything like that. They just simply raised the issue.

Senator CARR—Nonetheless, it is a matter of some concern, don't you think, Dr Jarvie? It reinforces the point I was making before, which is that we need to do more in this area. Obviously the department is responding. You are proposing initiatives to government. Government is acknowledging the need to do more. Clearly it is indicating that the act itself has not been adequately enforced to date. I am wondering whether we need to have a direct working party with the People's Republic, as the New Zealanders have.

Dr Jarvie—I certainly think we have registered ways we can work more closely with the other governments. At the moment, we have a way ahead that we have identified. We want to work cooperatively with the industry in Australia as well. That is a very important aspect of this.

Senator CARR—What sort of protocols would you have that would be enforceable?

Mr Gallagher—If you take current best practice, there are a number of things. I do not want to be too dogmatic about this because we need to have an open discussion with the institutions about this. You would want an undertaking that an Australian provider will only offer in another country what they are accredited to offer in Australia.

Senator CARR—Yes.

Mr Gallagher—That is currently not the case outside the universities.

Senator CARR—I just remind you that when the bill came in, we made a number of amendments. My recollection is that the department strongly argued against extraterritoriality on the question of the amendment I was proposing, which was to do what you are saying now.

Mr Gallagher—We can do that with the universities because there is a whole quality assurance framework for universities and the equivalence of awards. We have not been able to do that with non-university providers in the schools sector or the VET sector or other private providers. Sorry, I have now lost my drift.

Senator CARR—You were talking to me about these protocols and whether or not—

Mr Gallagher—Yes. That would be the first rule. The second rule would be, I think, that you would be subject to independent audit just as the universities currently are for their operations overseas, but the results of those audits would be publicly available. You would have a systematic collection of student satisfaction results and you make them publicly available. You would do due diligence on your partners. Your partners would be accredited in the host country to the standard of the award that you are offering with them. You would comply with all the laws that are relevant to operations in the host country. That is just an initial list. If you were, for instance, to sign up to a set of protocols like that, we could then go to the Chinese authorities and say, 'These institutions, all things being equal, are bona fide providers who are prepared to operate in a fair dinkum way.' If people breach that code, then hopefully the industry would protect its own reputation and people would forfeit their access to the quality trademark.

Senator CARR—So you are proposing an effective Commonwealth guarantee of quality?

Mr Gallagher—Not a Commonwealth guarantee. The industry itself would be protecting its own reputation.

Senator CARR—That might be the case, but at the end of the day the brand name will be Australia. You as the Commonwealth government will be required to stand behind that brand name. It will be an IDP brand name or a Commonwealth—

Mr Gallagher—It would be an Australian provider. We have not consulted on the details.

Senator CARR—I appreciate the way you are approaching this. I think it is very good. I am interested in what the Commonwealth role is here.

Mr Gallagher—The Commonwealth role is to facilitate the industry to move to a position where it is prepared to protect its own brand. Ultimately, that will have to be owned by the industry and protected by the industry or it will not work. So what the government is doing is providing resources for a period to explore possibilities with the industry, to seed fund some new arrangements and to work cooperatively and then on a government-to-government basis to market Australia's distinctive advantage with that quality trademark.

Senator CARR—I take it, though, when you are dealing with the Chinese that they like government-to-government relations. That is the way it works?

Mr Gallagher—Yes.

Senator CARR—Sooner or later they are going to ask the Commonwealth of Australia whether or not it stands behind this guarantee or this approval system.

Mr Gallagher—The first thing we would say to the Chinese is that, if the providers do not have that particular trademark, then beware. At the moment we have no ability to distinguish. So the Chinese would like to have a rank order, from number one to 120. We do not want to do that because we think we have a system that has parity of esteem and quality diversely distributed. We do not have a hierarchical system in Australia so we do not want to market in that way. But we do need to distinguish quality bona fide providers who are genuine players from those who are not. To that extent, Australia should be prepared to say to the Chinese, 'These are the protocols, if you like, the bar that has to be reached before we will recommend to the Chinese that they deal with these people.'

Senator CARR—That makes sense to me. What are you going to be able to do by way of enforcement measures?

Mr Gallagher—We also have resources to undertake independent audits offshore. These resources were made available in the budget in two ways. The higher education package has additional resources for the department to commission AUQA to do whole of country audits, for instance, the whole of Malaysia, in respect of university operations. Under the international package we also have further resources for independent audit. We could do them also on a country basis. So we could do the whole of Malaysia for all Australian providers, universities and others. We could do particular providers or partnerships in a particular place as we get indications that there is a need to do so.

Senator CARR—So you are now acknowledging that you have not up to date?

Mr Gallagher—We have not. I have to say to you that we still need to explore the feasibility of this approach. It is dynamic environment with complex players, with partnerships that form within the education industry and in other industries with Australian players and players from other countries. There is not going to be a simple approach here. We think we have an approach that is worth testing, and the government is prepared to give us support for that.

Senator CARR—We will have to evaluate that in due course. Your argument is that the additional revenue will be used for quality assurance. This actually advances the industry. Is that the case?

Mr Gallagher—Very much so.

Senator CARR—There are a few issues that have come to my attention that I am wondering if I can get some follow-up on. One involved the charge on the forgery allegations. It is a matter that I raised with you back in November last year. It involved a man in Sydney who had been found to be printing Commonwealth Bank cheques and logos, blank TAFE certificates, international English language test systems and test reports and the like. On previous occasions when I raised it, you said it was a matter that was before the court. What has happened since then? Do you know the case I mean?

Mr Gallagher—Yes, we do. I think it was taken up with the higher education colleagues last time.

Senator CARR—This was an International question, isn't it?

Mr Bowron—We provided you with that answer.

Senator CARR—You did?

Mr Bowron—Sorry, the answer to your question initially. Someone said higher education; I am saying it was not higher education.

Senator CARR—That was the answer that told me it was sub judice.

Mr Bowron—That was the one that told you it was still under consideration.

Senator CARR—That was the non-answer.

Mr Bowron—It was deferred until 6 March. We are limited by how we can address these things. I do not have the full details with me. The case was settled, as I understand it, on 30 May. I think we advised you previously that once that was settled we would then approach the Federal Police to see whether we could get access to the evidence which they hold, and we are about to do that.

Senator CARR—How was the case settled?

Mr Bowron—I just do not have the details with me tonight, I am afraid. I can get that and provide it to you.

Senator CARR—I would be interested to know whether a conviction was recorded.

Mr Bowron—I think it was.

Senator CARR—Have there been any other cases you are aware of involving the printing of forgeries of various international language tests?

Mr Bowron—Not that I am aware of.

Senator CARR—This is the only case of its type that you are aware of?

Mr Bowron—Yes.

Senator CARR—You would be able to get me some detail on that?

Mr Bowron—Quickly, yes.

Senator CARR—There is one other matter before you go. It is a small matter. How do you think the new package will actually enhance your powers to prevent this sort of activity occurring?

Mr Bowron—I do not think the package is directly aimed at our activities.

Senator CARR—You get additional resources out of it, though, don't you?

Mr Bowron—No, I do not.

Senator CARR—You're not one of the 40?

Mr Bowron—No. I think the way the legislation is structured, the primary approach is quick administrative action to either take the provider out of the business or to get them to comply. Where my investigators come in, they are primarily fraud investigators, they will come in if necessary to assist the ESOS enforcement team if the administrative action is not deemed to be the appropriate action at that point in time and we need to take some firmer action.

Senator CARR—So you think this will facilitate that because the evidence will be presented to you more quickly

Mr Bowron—I think it will. I am hearing there is significantly increased capacity with compliance.

Senator CARR—Was this news to you tonight?

Mr Bowron—No. I am probably reiterating what you have already heard. Some of the compliance activity is yet to be worked out, and just how that then fits in with what we do is yet to be determined. My small unit basically covers all programs in the department. We are not directly related to just ESOS.

Senator CARR—Thank you for that. I appreciate your answer. Since you have all these extra resources now, perhaps you can tell me whether you have heard of an organisation known as Northstar International Graduate School?

Mr Gallagher—We do not have the resources until 1 July.

Ms Henry—We are not aware of the organisation at this stage.

Senator CARR—Can you tell me whether it is an RTO?

Ms Henry—I will have to take that on notice.

Senator CARR—Can you tell me if it is an AQF register?

Ms Henry—Similarly.

Senator CARR—Can you tell me whether the proprietor of the college is Mr Michael Megas?

Ms Henry—I will also have to take that on notice. We are just not aware of them.

Senator CARR—Is this the college listed on the US web site, Worldwide Classrooms, schools by country?

Ms Henry—I will take that on notice.

Senator CARR—I am wondering whether you could advise me on what is the nature of its registration in terms of CRICOS.

Ms Henry—I will take that on notice.

Senator CARR—I was also wondering whether you could confirm that it is not registered on CRICOS and it is not an RTO. Does it have any international students studying at a Sydney campus?

Ms Henry—We will have to take that on notice as well.

Senator CARR—If so, how would they be there?

Ms Henry—I will take that on notice.

Senator CARR—Could you tell me what sort of courses it offers?

Ms Henry—We will take that on notice.

Senator CARR—It advertises itself as offering courses such as ‘Business and Professional (post univ)’. Are you aware of claims to teach ‘University Students’?

Ms Henry—Again, we will take it on notice.

Senator CARR—I take it from what you have told me that you have had no complaint about this particular college?

Ms Henry—No. We are not aware of them at this stage.

Senator CARR—And you have not had any cause to investigate?

Ms Henry—Not at this stage

Senator CARR—Thank you for that. If you like, I can give you a photocopy of the webpage.

Ms Henry—Thank you. That would be very useful.

Senator CARR—Have you come across an organisation known as Raffles La Salle Institute? It has a CRICOS number. The CRICOS number is 0242.

Ms Henry—We are aware of them. They are a registered CRICOS provider.

Senator CARR—Have you had any discussions with them lately regarding any student irregularities, particularly with regard to business migration?

Ms Henry—No, we have not had any discussions.

Senator CARR—So you are not aware that DIMIA has had any discussions with them?

Ms Henry—Not that I am aware.

Senator CARR—I take it you have had no communications with VETAB and New South Wales concerning this provider?

Ms Henry—No.

Senator CARR—There has been such an improvement in the quality assurance regime that I might provide with you a copy of a statement that I have been given. I will have to think about this. As I have said to you before, it is about whether or not we expose ourselves to possible defamation action. I have here a three-page statement, which goes to some issues raised with a particular provider. I will just have to think about whether I table the report so that it will give it the necessary protection or to give it to you privately.

Dr Jarvie—I understand if you read it out that there is no problem.

Senator CARR—I can also table it, which is the same thing. I might think about it. I will come back to you on that matter. The practice is that I have raised issues with this committee and the department has made inquiries. I would have thought on most occasions it demonstrated that there was a case to answer. The college concerned by and large, in the overwhelming number of cases I have mentioned, is no longer in business. I think we have a reasonable track record in drawing attention to some irregularities. I will have to think about this particular one, if I could, a little while longer.

Dr Harmer—If you have any information for us, we would—

Senator CARR—I have to think about how I give it to you. As I say, the department in the past has approached me about it. I have argued the case—we have a new regime at the moment. I do not mean you, Dr Jarvie. It was no reflection on you. I am talking about the new quality assurance regime. Have you had discussions with state authorities about the consistency of their applications of the quality assurance regime? In particular, I am thinking of the accreditation procedures.

Ms Henry—A group called the ESOS implementation group was formed for that purpose. We talk regularly with the states about those various issues.

Senator CARR—It has been put to me that a number of the colleges named here have subsequently been transferred to a particular company in Sydney as a result of legal transfer. It strikes me that there are a considerable number of colleges in Sydney who have been named in recent times. Is there a particular problem, do you think, with any particular jurisdictions with regard to the accreditation processes?

Ms Henry—I think it is fair to say that in New South Wales they do have more providers overall.

Senator CARR—So there is a greater concentration. That is where the student markets are. It is likely to be obviously where the students are. It is where the providers are. Therefore, there are likely to be more problems.

Ms Henry—Yes.

Senator CARR—That would be a fair explanation?

Ms Henry—Yes.

Senator CARR—Do you keep records in terms of the number of complaints from each of the states?

Ms Henry—No, we do not in that regard because they handle them in their own right in implementing the national code. But we liaise regularly if there is an issue that should be taken up specifically under the ESOS Act.

Senator CARR—For instance, Bridge Business College is one of the colleges I have named on a number of occasions.

Ms Henry—Yes.

Senator CARR—Could you tell me if Raymond Rose, Gerry O’Sullivan and Arthur Triebs are still associated with that business?

Ms Henry—This is subject to an ongoing investigation. We would prefer not to discuss the issues at this point.

Senator CARR—I will say to you that, once again, I have received complaints about this particular entity. I do not know when I first raised it with you, but it would be a couple of years ago now.

Ms Henry—I am not sure either, but we are undertaking active consideration of the issues.

Senator CARR—If there is an active investigation, I will not say any more about it.

Mr Gallagher—We can give you the report on the enforcement and monitoring action. The last report we gave you was November.

Senator CARR—Yes. That would save me a lot of trouble if I could have a copy of that. Thank you. Have you had any inquiries regarding the Australian College of Natural Therapies with regard to student visa compliance?

Ms Henry—No, we haven’t.

Senator CARR—I have received advice that there are problems with teaching hours and length of teaching semesters at the college enabling students to meet their visa requirements regarding the contact hours and the 36-week study requirement. Are you aware of the administrative arrangements at the college in that regard?

Ms Henry—No, I am not. We will have to take that on notice.

Dr Harmer—We have some officers from ECEF in town. I indicated to them before dinner that we would let them know whether they would be needed tonight or not.

Senator CARR—That might actually be helpful.

Dr Harmer—I have some people from the department who understand our end of ECEF.

Senator CARR—I have a few questions for ECEF. It would be helpful if they were here. It will not take that long. Our intention is to try to finish this tonight if we can, so I will press on. Are you able to give me a report on the actions of the department with regard to the Australian College of Technology? Are you familiar with that particular entity?

Ms Henry—Yes, we are.

Senator CARR—This is a complaint that argues that the department acted improperly in the deregistration of a provider. I am wondering if you are able to give me a report on actions that the department has taken in this particular matter.

Ms Henry—Are you referring to the AAT appeal?

Senator CARR—Yes.

Ms Henry—Yes. Mr Nabil Nasr withdrew the appeal.

Senator CARR—He withdrew the appeal?

Ms Henry—Yes. I thought we advised you of that in the last hearing.

Senator CARR—I am sorry. I must not have registered that. So there is no action, no complaint.

Ms Henry—Not that we are aware of at the moment.

Senator CARR—The other question I have is E761. There is a matter there that I raised with regard to the ASIC registration of companies registered in Melbourne. That is the Melbourne Institute of Business and Technology and the Perth Institute of Business and Technology. The same person is appearing to be the director of both companies registered under different names. Are you able to advise me on what action you have taken in that regard?

Ms Henry—Yes. We have referred the matter to ASIC. They have advised us that they will look into it.

Senator CARR—You have had no report back?

Ms Henry—No, nothing other than acknowledgement of our referral.

Senator CARR—When did you refer it to them?

Ms Henry—I believe it was 30 April.

Senator CARR—This year?

Ms Henry—Correct.

Senator CARR—We raised it in February. What took you so long?

Ms Henry—I believe we investigated the issues that you raised with us. Once we had the information we needed, we then referred it on.

Senator CARR—It took you that long to work out that the registrations were the same?

Ms Henry—When you advised us of the issues, we then had to look through the ESOS Act to determine whether there were any specific issues we should follow up. Beyond that investigation we were then able to refer it to ASIC.

Senator CARR—I would have thought it was pretty straightforward.

Ms Henry—We did it in what time we could.

Senator CARR—You obviously need those 40 officers to look up the web.

Ms Henry—We can do with as many officers as possible.

Senator CARR—Imagine what we would do with 40 officers. Could we take a break at this point? I want to get some advice on this matter.

Proceedings suspended from 8.38 p.m. to 8.48 p.m.

CHAIR—We will continue to consider issues relevant to the International Group.

Senator CARR—We are making a phone call to the complainant with regard to this statement to find out whether or not they want it tabled or they mind it be being tabled. Thank you very much for this updated report on enforcement and monitoring actions. I see that 157 providers have now been cancelled. Over what period of time was that? It is since 4 June 2001; is that right?

Ms Henry—Yes. Since the implementation of the act.

Senator CARR—It is 157 now.

Ms Henry—This is by states and territories, if you are looking at attachment C.

Senator CARR—That is by the states and territories?

Ms Henry—That is correct.

Senator CARR—There is a total of 177. How many providers are there in the industry at the moment?

Ms Henry—I believe, on CRICOS registered providers, there is somewhere over 1,100.

Senator CARR—There are 1,100?

Ms Henry—Yes.

Senator CARR—So it is quite a significant number, isn't it, the 1,100 and 177 total? Four have been suspended. Does that mean they could possibly reregister?

Ms Henry—They may actually have the suspension lifted.

Senator CARR—So we can only rely upon the cancellations at this point?

Ms Henry—As being definitive actions?

Senator CARR—Definitive actions, yes.

Ms Henry—Yes.

Senator CARR—Which is a little fewer than 177, obviously. It is 15 fewer. I notice that there are 50 in New South Wales, 31 in Queensland and 37 in Victoria. That is about in the same proportions as the registrations in those states?

Ms Henry—I would say it is fairly equal. I could not tell you, but I think it looks like it is.

Senator CARR—So there is no real difference in terms of enforcement procedures? There is no state that is tougher than another?

Ms Henry—My comment would be that these figures do not represent strict enforcement activity because providers move in and out of the industry for their own reasons. So it is a matter of relativity of numbers in each state where you could expect that, for example, in New South Wales you would have more movement and you would have more enforcement activity due to the numbers.

Senator CARR—Some of them would be on the basis that they have chosen to close down for financial reasons. It would not necessarily mean that they are in breach of the ESOS Act?

Ms Henry—Absolutely not.

Senator CARR—In all of this, we always emphasise the overwhelming bulk of providers are actually very good. That is why we have to take this action to protect them.

Ms Henry—That is right.

Senator CARR—I have here a list of the CRICOS registration fees for the universities. It was attached to a vice chancellors press release around 13 May. I want to confirm these figures. Do you have the press release there?

Ms Henry—I think we have the press release you are referring to.

Senator CARR—That is the one that starts with Charles Sturt at \$12,900?

Ms Henry—Yes, correct.

Senator CARR—It goes through to the total of \$2.5 million in additional registration fees. Do those figures come from the department?

Ms Henry—No.

Senator CARR—So these were AVCC figures?

Ms Henry—I have to assume so, yes.

Senator CARR—Are you satisfied that they are accurate?

Ms Henry—I do not believe we've cross-checked them at this stage.

Senator CARR—Could you take that on notice. Can you confirm the accuracy of those figures?

Mr Gallagher—It depends on the number of students.

Senator CARR—That is right, but you will know the number of students registered at these universities. All I want to know is whether or not their claims are accurate—for instance, whether Monash University will have an annual fee of \$250,000.

Ms Henry—We may not be able to estimate exactly.

Senator CARR—But you can tell me whether or not you think—

Ms Henry—From looking at it, we think they look reasonable.

Senator CARR—So you think they look reasonably accurate?

Ms Henry—Yes. We cannot actually estimate it accurately due to the movement of students.

Mr Gallagher—The key point is that the bottom figure of \$2.5 million is out of a revenue of \$1.6 billion in tuition fees.

Senator CARR—We will not go over that again. I have heard the argument. Could you give me some advice about the people trafficking in the sex trade and using student visas.

Ms Henry—It is a DIMIA issue.

Senator CARR—It is. However, my questions go to your responsibilities. Where were these people studying?

Ms Henry—I am not sure who you are referring to. Are you able to provide us with more information?

Senator CARR—Would you like some details?

Ms Henry—Yes, please.

Senator CARR—There was an answer given at a legal and constitutional estimates committee on 11 February 2003 on the number of persons working in the sex industry detained by DIMIA in 2002. The answer specified the number of such persons in each state detained between July 2002 and January 2003 and in that period they detained six in Western Australia, five in the Australian Capital Territory, three in Queensland, two in Victoria, one in the Northern Territory and 99 in New South Wales. I understand that in February 2003 four persons were detained and the sex workers were held in Villawood and two had student visas. My question goes to what appears to be a significant number of people who have been detained here on student visas in New South Wales. Has the department undertaken any inquiries as to how these people had student visas and were engaged with those providers—I take it you can check the providers, given the nature of the visas?

Ms Henry—We do liaise regularly with DIMIA about these issues. As I mentioned earlier, the student issue itself is strictly a DIMIA issue. But if we had reason to believe there needed to be action taken under the ESOS Act, we would do that. I understand that from the February comments you made there was no action needed under the ESOS Act in relation to those issues.

Senator CARR—But they were attending colleges. They would not have got a visa unless they could identify a college they were enrolled in. Wasn't this a matter for inquiry?

Ms Henry—Yes, that is correct. However, there is no evidence to suggest that the provider was involved.

Senator CARR—So you are saying that the provider was duped as well?

Ms Henry—I cannot confirm that. But we do not have any evidence to say that we need to undertake any investigative action.

Senator CARR—Senator Ellison, the Minister for Justice and Customs, has announced a review into the policing of the sexual servitude and slavery. Do the terms of reference go to the question of Australia's international educational program and the misuse of that program?

Ms Henry—I do not believe we have been given full information on that. I do not think there is enough evidence for us to go on at this point.

Senator CARR—Maybe you would like to take that on notice. I understand that the minister has made the announcement. I am surprised that you are not advised of it.

Ms Henry—Again, if it is a student visa issue, it is largely taken up by DIMA.

Senator CARR—That is my point. Shouldn't you have an interest in this matter? Shouldn't you be making inquiries as to whether or not there are any implications for—

Ms Henry—We do. We talk to DIMIA regularly.

Senator CARR—And they haven't mentioned this to you?

Ms Henry—No. Unless a provider specifically is implicated, then we have no reason to follow up under the ESOS Act.

Senator CARR—Greenwich University are at it again. Their web site is now telling us that they have had to move offshore because of all the terrible action the Australian parliament has taken. They also say that their relevant act is on the statute books on the territory of Norfolk Island. Do you think it is time we actually took action to remove that act from the statute books?

Mr Gallagher—This is a higher education matter.

Senator CARR—It is not an International matter?

Mr Gallagher—It has been dealt with by the minister by an amendment to the legislation.

Senator CARR—You can't help me? Why don't one of the other officers help me then? Dr Jarvie, is this your province?

Dr Jarvie—We will have to take it on notice. I cannot recall it immediately to mind.

Mr Gallagher—The Norfolk Island Assembly—

Senator CARR—It is not a matter for the territory entirely. It is a matter for this portfolio.

Dr Jarvie—We have amended the act. That has gone through.

Senator CARR—I am not complaining about the actions. As you know, I have jumped up and down about this for long enough. But the duke is out there still out there running around using his web site to claim that he has a legal standing in this country. I think there needs to be further action to remove that.

Mr Gallagher—We should refer that to our higher education colleagues. We have legislated and the Norfolk Island government has been approached.

Dr Harmer—We will take that on notice.

Senator CARR—If you wouldn't mind. The question is: can you have a look at the web site? Given the nature of that web site, on which he is claiming that he is still registered in this country and under the act, do you think there is a need for further action to be taken in that matter? Thank you for that. Obviously, the operations at Greenwich have had an effect on our international reputation. I think that is why there is an issue here for the International Group. James Cook has a joint venture in Singapore. Have you been advised of this in terms of their international student program?

Mr Gallagher—I only know minor details. I would rather take that on notice.

Senator CARR—I have a copy of the minutes here from their council meeting. I am wondering whether or not you have been advised of this decision. I am also told it has been postponed because of their concerns about the effects of the SARS virus. Have you been advised of that?

Mr Gallagher—Only from what I have seen in the media.

Senator CARR—Do you think the SARS virus is having an effect on our students in terms of the operations of any of our providers here? I know you spoke before about what it points up in terms of our need to diversify but I am thinking more of the other end of it. Has it had an effect in terms of the operation of any of our universities or colleges here?

Mr Gallagher—We cannot tell from our data because we will not know the effect really until the second semester intake for 2003 proceeds, and that is in August. We do know that, in respect of China, the SARS epidemic led to a deferral of the AEI testing and that will have some flow through. But that has recently been reinstated so it looks like it is an aberration and it will flow back.

There have been effects particularly on the ELICOS sector who pick up students through tourism as well as through student visa arrangements. Some of those have been harder hit than others. We are particularly worried about them and we have been talking with them with a view to monitoring what is going on. Many of them are small businesses, effectively, with their own resources at risk. This can do significant financial damage to them. We are conscious of that.

There have been some reports to us of staff lay-offs and other activity. There has been a general reduction in Australians visiting overseas for recruitment, conferences, marketing and other international activities. To some extent, that is a discontinuity of the customer relationships which does some damage as well in terms of reputation. To be short, we do not have hard data; we know there is concern, but it is variable depending on the sector, the size of the player and the country that they are in. In respect of the major markets, we are fairly confident that it will pick up but it means that we need to maintain our marketing effort heavily into those countries so that we do not give opportunities to our competitors.

Senator CARR—And will you be doing that?

Mr Gallagher—Yes.

Senator CARR—How much will that cost? I take it you are talking about additional expenditure in terms of marketing in those colleges?

Mr Gallagher—Fortuitously, the new package gives us resources.

Senator CARR—It comes along at the right time and we have four counsellors to go overseas—

Mr Gallagher—And 40 additional staff.

Senator CARR—That is right. They are all computer literate so that is very good.

Mr Gallagher—July is about the right timing, we think, to launch a marketing campaign.

Senator CARR—What is the cost of that, do you think?

Mr Gallagher—We are still doing the work. We have to go to the minister with the implementation proposals for this package yet.

Senator CARR—So you have no hard data as yet in terms of the estimates of enrolment effects?

Mr Gallagher—No, we do not have hard data. We will be able to monitor it on a more regular basis after 1 July, because we have invested over the last six months or so on upgrading our PRISMS database and reporting capacity. So we will be able to produce regular analyses.

Senator CARR—Can you take a question on notice to give us a report once that data is available? That will be in July, will it?

Mr Gallagher—July will be the first period from which we will be able to produce regular reports.

Senator CARR—That is the base then. You cannot compare it with the six months prior, it starts from July.

Mr Gallagher—At the moment all we have is total stock of students at a point in time. Post July, we will be able to disaggregate that and we will be able to give you the report.

Senator CARR—Thank you, that was all I was looking for. That concludes my answer. I have not heard back on this other matter, so we will just have to table it in the next session, if it is available, otherwise I will need to talk to someone from the department privately. I would actually prefer to table it because it gives greater legal protection. Thank you very much.

CHAIR—That concludes matters relevant to the International Group. I now call officers from the Schools Group.

[9.05 p.m.]

Senator CARR—This may well be a question for the department as distinct from ECEF although, Mr Healey, I will start with you. What was the rationale for the incorporation of the functions of ECEF into the department?

Ms Paul—Perhaps I might start the ball rolling. It probably is more for us. The explanation that the minister set out in his media release was about bringing the functions of ECEF closer to the department. So the notion is to be able to join up more easily programs like JPPs, POEMs and CATs—the acronyms—

Senator CARR—I know the ones, yes.

Ms Paul—With the functions of ECEF, which of course are all related to the programs that arose out of David Eldridge's original report. So that is the notion. The minister also talks about the fact that there is a bunch of people in the department undertaking certain functions and there is a bunch of people in ECEF undertaking similar functions and there is some scope for efficiency. So it was for those two reasons.

Senator CARR—So whose idea was it to incorporate?

Ms Paul—It was a government decision taken in the budget process.

Senator CARR—Mr Healey, were you consulted about it?

Mr Healey—No, Senator.

Senator CARR—What was the reaction within ECEF?

Mr Healey—As I said, the government have made their decision. Certainly the logic of joining what are common programs up together and provide a single bucket of funding for

future developments, I think, is sensible. In fact, we were already planning to work more closely with the department. You may recall last time I was here that you raised concerns about the high operating costs of our foundation.

Senator CARR—I did. I raised quite a lot of concerns; I have been raising them for a few years, as you know. So I take it those issues will now be able to be addressed within this new arrangement?

Ms Paul—We believe so—at least in terms of this joining up more closely of the functions.

Senator CARR—Have the states been consulted about this as well?

Ms Paul—No, it was a Commonwealth government decision in the budget.

Senator CARR—So you just did it?

Ms Paul—Yes.

Senator CARR—Have the states given you any reactions?

Ms Paul—I am sure Mr Healey might want to comment on some of the reactions. Certainly, of course, there has been reaction from a variety of stakeholders, mainly in my contacts. A series of questions such as: why and how is it going to work? Everyone has their own reaction but most people seem to have a future orientation about how will it work and does it affect us. And of course the main message we have been giving, as has Mr Healey, is that it is business as usual. There is a long transition period until 30 September. ECEF is still operating until then and it is business as usual. There should be hopefully no impact really visible to all those services and partnerships.

Senator CARR—Do you think that is right, Mr Healey?

Mr Healey—I do. One of the aspects of the decision was a four-month phase-in period and we are currently in the process of developing a transition plan. Part of that plan is to ensure that our local partnerships around the country continue to operate in the way they have. The other thing is that, in terms of budget savings, they are rather modest.

Senator CARR—You have taken the words right out of my mouth because I was going to go to that. How much are they?

Ms Paul—It is \$4.1 million over the forward estimates period. It is front loaded. I think it is year on year?

Mr Healey—\$1.5 million in the first year, \$0.7 million in each of the next two and \$1.2 million in the final year.

Senator CARR—How does that work out? How do you get that sort of distribution, that spread of savings?

Ms Paul—The savings were estimated on the notion that there was, to some extent, some duplication of staff effort. It is not intended there will be any impact at all on the funded services, partnerships or the things out in the community. However, to the extent that ECEF has staff who do corporate functions, legal functions and so on, that is clearly an area where there might be some small savings. You would expect therefore the savings to be taken mainly

in the first year, which is the year of transition. Nonetheless, it is probably worth saying that we have actually offered any ECEF staff member work with DEST.

Senator CARR—I see. That sounds reasonable. Mr Healey, will all the staff take that offer up?

Mr Healey—A number of them are considering it. There are issues about moving to Canberra but a lot of our operations are state based. It is still too early to say how many will take it up.

Senator CARR—Is the offer, Ms Paul, to move to Canberra?

Ms Paul—We would hope that most people would move to Canberra. We do recognise, of course, in our working with Mr Healey and ECEF on our transition plan, that there are a number of key staff who are located in states. That may well be something that we wish to keep. We have our own state offices too, of course.

Senator CARR—That is what I was thinking. There is surely no rigid requirement that everyone move to Canberra.

Ms Paul—No, that is exactly right, although we would expect that those people who do the core function that is currently in Sydney will integrate best with the people in Canberra.

Senator CARR—I think this is a great town and this is where the Public Service is based, so it makes a bit of sense. I do also think though that your regional offices could be strengthened, so there is an argument in that regard.

Ms Paul—We have located, at Mr Healey's invitation, one of our human resources people to work with Mr Healey's human resources people and ECEF staff to work with each person on what their own preferences are and what the possibilities are.

Senator CARR—That is fair enough. If I could get an indication from you, Mr Greer: you get these savings of \$1.2 million in the final year. How does that work?

Mr Greer—We are looking at some of the enabling services which flow out there. I do not have the detailed working of that here.

Senator CARR—I would appreciate if you could tell me because it just seems a bit odd. You have \$1.5 million, then \$0.7 million, \$0.7 million and then \$1.2 million in the last year. What are you doing, selling everything off?

Mr Greer—That may have been associated with lease costs and things like that.

Senator CARR—Yes, it might have some property implications.

Mr Greer—Yes.

Senator CARR—These will not be empty buildings for three years, will they?

Mr Greer—We would hope not. We would hope to negotiate—

Mr Healey—In our current premises, the lease goes to the end of 2005 but, given the market in Sydney I am quite sure the property would be able to be subleased.

Senator CARR—Why do you think the savings are positioned in this way—\$1.5 million, then \$0.7 million, \$0.7 million and then \$1.2 million? How do you account for that?

Mr Healey—It is not up to me to comment on how they have been arrived at but, in terms of whether they are achievable or not, I think they are. We have already made operational savings taking on board your concerns. I have no doubt that they can be achieved.

Senator CARR—As I say, I think this estimates committee is a damn good thing in terms of opportunities to get things attended to. I raised the issue that overheads for the grants administered did seem quite high by DEST ratios, and I notice that the minister's media release claims that this incorporation will provide efficiencies. That is where the \$4.1 million is concerned. My issue, Mr Greer, goes to the question of whether or not these moneys will be ploughed back into program grants.

Mr Greer—Those savings are savings to budget.

Senator CARR—So they are not being ploughed back?

Mr Greer—No, these savings are savings off the core administrative grant to ECEF as distinct from the funding grant that was there for structured work placement—

Senator CARR—So you are saying it will not necessarily change the number of grants, but I guess in an ideal world you would hope they would be able to expand programs.

Mr Greer—Certainly, Senator. If you look in the PBS, this year we have included a new output group 1.4 on page 45.

Senator CARR—I see that. I have that in front of me.

Mr Greer—We have been able to bring together in the one output group the suite of transition programs.

Senator CARR—So that \$4.1 million is to be found here, is it?

Mr Greer—No, the first \$1.5 million of it is already taken off the \$51.32 million. So the pool for transitions is that pool in output 1.4 of some \$51 million.

Senator CARR—So this careers, transitions and partnerships has an increase?

Mr Greer—It is a new output group 1.4—and it brings together the transition elements. So the previous career and transition partnerships, which was the ECEF funding and ECEP, the Enterprise and Careers Education Program, that were formerly in output group 1.3 in 2002-03 come into 1.4 to form the base. We have also transferred in to the new output group the JPP and POEMs funding that was formerly in output group 2.3.

Senator CARR—So has there been any decline in that funding then?

Mr Greer—Apart from the first year saving of \$1.5 million, no. It has grown by supplementation.

Senator CARR—Thank you very much. I trust Mr Healey that you enjoy your time with the Australian Public Service.

Mr Healey—I was never a public servant.

Senator CARR—That was my point.

Mr Greer—If I could make one point that I would like to get onto the record: from DEST's point of view, the maturity and the constructive nature of the transition that has worked, I think, reflects well on the leadership.

Senator CARR—That is very good to hear. It is obviously an issue that has concerned me for a while, as Mr Healey now knows. I trust it works well. Thank you very much.

[9.19 p.m.]

Senator NETTLE—We might get started on schools then. The first lot of questions relate to auditing the enrolments at private schools. Perhaps you could explain what steps the department has taken to ensure that enrolments numbers reported by private schools and used to compute their recurrent funding do in fact reflect the actual enrolments?

Mr Evans—The department conducts a census every August of enrolments in every non-government school. That is an online collection of information of all primary and secondary students by every non-government school in Australia. In addition to the census, we undertake a verification exercise where we randomly select a small sample of schools and go in there and check the figures that they have submitted to us against our going through the rolls of particular schools to verify that. We can also check it going back through cohort data—that is, ABS data on student numbers overall. So there are some other checks and balances in the system. We also follow up if there is evidence provided or someone tells us that they believe that a particular school or a particular sector is of concern. So the department as a matter of course follows up on any of those inquiries as well. On the flip side of that, state governments undertake the census for all government schools and the combined effect of that is then fed into the ABS, and that becomes part of the total reporting on student numbers in Australia.

Senator NETTLE—So in terms of these checks that happen periodically, can you say how many private schools were audited in the 2002 school year? Is that something we could have?

Mr Evans—I would have to take that on notice. I recall—but do not hold me to it—that around two per cent is about the level of the sample, but it might be less. I will take the question on notice and come back to you.

Senator NETTLE—I have a couple of other ones that you might need to take on notice. Which schools were audited and what did the audit involve?

Mr Evans—I can answer some of these questions.

Senator NETTLE—Okay.

Mr Evans—Which schools are audited, as I said before, it is a random sample so in that sense it is across the whole of the non-government sector. What we have tended to do is engage maybe former headmasters or other people that are familiar with knowing how to look through school rolls and the like. They are contracted to go out and do the schools that have been selected as part of the audit. So in that sense they are familiar with how school reporting is actually carried out.

Senator NETTLE—Is it possible to get a list—obviously take this on notice—the names of the schools that were audited in that?

Mr Evans—Because some schools arise through information that is provided to us, I prefer to maintain the confidentiality of the schools that are particularly audited. As you might infer, a school might have gone on the list because it had been notified to us by a third party, and that might impact adversely on schools that had just come on the list because they were randomly selected.

Senator NETTLE—So is it possible to get a list of the ones that were audited on the basis of being randomly selected rather than having been referred to you, understanding your concerns about that issue?

Mr Evans—I prefer, for reasons of the confidentiality of it, to not reveal that—unless you can provide any reasons of what great benefit it would be to have the name of the school.

Senator NETTLE—We will keep going. In terms of what the audit process involves, could you explain that a little bit further for me?

Mr Evans—We would write to the school to indicate that they have been selected and that a person will be coming to go through the rolls of the school to verify the information that had been provided to us in the August census. So, in that sense, it is matter of matching up information that is provided by a school with what is the evidence at the school.

Senator NETTLE—In terms of audits that have been carried out, can you let us know how many schools were found to have overstated their enrolments?

Mr Evans—I can include that in the other question on notice.

Senator NETTLE—If you could do so stating how many schools were found to have overstated their enrolments and also by how much they had overstated their enrolments, that would be great.

Mr Evans—Sure. It is only a very small number, both in terms of the number of schools and even the incidence of when it occurred. In the last five or six years I can recall several instances but I will take it on notice.

Senator NETTLE—That will be great, thank you. In terms of the process of the audit, you have explained that you look at the rolls for enrolment numbers. Does the audit process also involve looking at financial accounts?

Mr Evans—In respect of the non-government sector, there are several other forms of accounting that we undertake. We undertake audited financial statements in respect of each school for each year or for the system that they are part of. We also undertake an annual financial questionnaire on all non-government schools, which gives us information about the income from all sources, whether it be from the Commonwealth, the state or from parents, the expenditure of each of those schools as well, other fees and donations that are provided to the schools, and information on teacher expenditure. It is a very comprehensive form of information that we collect. A summary of that information is included in the Annual National Report on schooling that is produced by the Ministerial Council on Education, Employment, Training and Youth Affairs each year. So in that sense the collection by DEST is a very comprehensive collection not only for financial accountability purposes but also because it gives a very good understanding of the total financial situation in non-government schools.

Senator NETTLE—Thank you.

Senator CARR—When is this year's report due?

Mr Evans—The responsibility for the production of that report has moved out of my area to the research analysis evaluation group.

Mr Greer—The report for 2001 is almost finished.

Senator CARR—That is moving along quickly, is it not? I can see how comprehensive and timely it is.

Mr Greer—As we have explained before, that report is not a production of the department or of the Commonwealth. It is produced by the secretariat of the ministerial council.

Senator CARR—Senator Nettle was kind enough to ask you a question to allow you to explain the great benefits of your reporting systems and now we discover it is only a couple of years late. I mean, we will be old and grey before we actually get a comprehensive set of statistics.

Mr Evans—Senator, we may actually have the 2002 report before the end of this calendar year as well.

Senator CARR—I will be shocked when you actually deliver that. I have been hearing this for 10 years.

Mr Greer—It is not unreasonable to expect that, in the process of renegotiation of the forthcoming quadrennial SPPs, the timeliness of ANR would be an objective that the Commonwealth is looking at.

Senator CARR—Is that the inquiry you are doing into indexation arrangements in schools?

Mr Greer—There is no inquiry into indexation arrangements in schools. My understanding is the minister in the House yesterday confirmed that the AGSRC would be continued to be used for supplementation schools funding.

Senator CARR—Right. There is no evaluation of that particular methodology?

Mr Evans—The minister was very clear in his statement. He said:

The Prime Minister, certainly the Treasurer and I have said that the AGSRC indexation of Commonwealth money to state government schools will continue.

Senator CARR—I understand that. I am not arguing the toss about whether or not it is going to continue; I am arguing that there has been an evaluation within the department. I am quite certain that Dr Shergold explained to us that there was an evaluation under way within the department.

Mr Greer—No, I am not sure he mentioned an evaluation. I think he mentioned the annual small 'r' review of what the quantum—

Senator CARR—Small 'r' review.

Mr Evans—If I recall Dr Shergold's words precisely, he said that all programs are subject to ongoing review—

Senator CARR—I can see how I confused that.

Mr Evans—That is probably how it occurred.

Ms Paul—There is no need to do it now because the minister has committed to continuing it.

Senator CARR—So he has committed without a review?

Ms Paul—That is right. It is continuing at the same level through AGSRC.

Mr Evans—The minister has made a clear statement.

Senator CROSSIN—Is that applied exactly the same way without any variation?

Mr Greer—I think the minister has indicated that the AGSRC indexation of Commonwealth money to state governments will continue.

Senator CARR—Was there a review proposed by MCEETYA?

Mr Greer—I am not sure about a review proposed by MCEETYA—

Senator CARR—Is that a big ‘r’ or small ‘r’?

Mr Greer—No. Certainly the states and territories have indicated to us their keen interest to maintain the AGSRC as a method of supplementation. The minister’s statement in the House yesterday quoted from a letter from the Queensland minister, Minister Bligh, who indicated that the AGSRC index had increased by 36.86 per cent between 1996 and 2001 in contrast to CPI which had increased over that period by only 14.24 per cent. The minister indicated that in that sense the Queensland minister was pointing out that the Commonwealth funding compared with Queensland state government funding was increasing at a rate almost three times the rate of inflation.

Senator CARR—So there has been no evaluation from the department comparing the different indexes you currently use?

Mr Evans—No evaluation, but you will recall—I think it might have been 21 June last year when we had this discussion—that I provided you with a list—

Senator CARR—Yes, I know the list. I know how many there are. My point was whether there are any evaluations of the different models that are being used.

Mr Evans—I have not participated in any evaluation.

Senator CARR—That is a fulsome answer. That will cover all possibilities, Mr Evans. I am sorry, Senator Nettle, we were talking about these comprehensive and timely reports that the department provides us with a couple of years after the event.

Senator NETTLE—Indeed.

Senator CARR—It is better than some DEST reports in the higher education division, I will say that.

Mr Greer—That the MCEETYA secretariat provides, not the department.

Senator NETTLE—You were describing the online questionnaire that the private schools fill out on an annual basis in relation to their funding. I am sure I am not using your words, but to be clear—

Mr Evans—We do an online collection for the census and we also do an online collection for the financial questionnaire. We are moving to a system where we will actually probably do our financial accountability statements online as well.

Senator NETTLE—Okay. Is it the point at which the private schools enter their enrolments on your online service that these audits are able to check?

Mr Evans—Correct.

Senator NETTLE—Is there any other mechanism other than the random audits for checking the validity or the correctness of the answers that have been filled in on that questionnaire?

Mr Evans—There is a couple. I mentioned the verification. Year on year, you can see whether there is not an irregular pattern starting to occur in particular schools. The department also looks broadly at census information and age cohorts, so you can actually check to see how many 6-, 7-, 8-, 9-, 10-, 11-, 12-, 13- and 14-year-olds there are across government/non-government and across states. There are some other higher-level checks that you can implement as well. Personally I believe it is an area where I think we have some good checks and balances in place.

Senator NETTLE—We might move on to private school affordability. Has the department undertaken or caused to be undertaken any analysis of the impact of the socioeconomic status funding on the affordability of private schools?

Mr Evans—Affordability at the highest level is really a decision of individual families. I would just make the judgment that, probably over about the last 15 or 20 years, there has been something of the order of about a 30 per cent increase in the number of students in the non-government sector. In the non-government sector also, there is a very wide range in the fee structure across small parish schools right through to what we might term the sandstone schools. So the fees can range from only a few hundred dollars right through to much more significant amounts.

Senator CARR—They can rise through to \$20,000, can't they, for the stables, polo club and that sort of thing?

Mr Evans—They can be very significant.

Senator NETTLE—I suppose when I say affordability, I am referring to costs. Does the department do any study of the impact of the socioeconomic status funding model on the cost of private schools?

Mr Greer—Not on the cost per se.

Senator NETTLE—On the fees charged by private schools and the impact of the SES funding model on those fees?

Mr Greer—There has been some preliminary work undertaken which indicates there may have been some downward pressure placed on the rate of fee increase in the non-government sector. But as the minister noted recently—I think it was on the first of the month—there was an expectation that the new funding arrangements would put downward pressure on fee increases. Some preliminary work suggests there is some downward pressure on the rate of

fee increase but, at the end of the day, I think the minister was quoted as saying parents should be asking serious questions of the schools as to why fees are perhaps still going up.

Mr Evans—The information we collect about fees is more in an aggregate sense. I mentioned the financial questionnaire of non-government schools. That tells us in aggregate how much a particular school is collecting. It does not give us information about some fee relief that might be provided to individual parents where they might have two or three children at the school or some other forms of scholarship. So in that sense, even if we went into a simple division of the fee income by the number of students, that is a very rough measure compared with what might be actually occurring within the fee structure that operates at the school. So we have not collected as a matter of course very detailed information about individual fee structure patterns that operate at schools.

Senator NETTLE—Mr Greer, you are talking about preliminary work that has been done, I suppose the SES funding model has been in place for some time now. Given the arguments for the SES model were about making private schools more affordable, I am a little bit surprised that you are saying just preliminary work has been done about the impact of the SES funding model on those fees for private schools.

Mr Greer—The SES model is still in the process of being phased in. This is the third year of phase-in, so in one sense the SES model has not been fully implemented at this stage. It commenced in 2001 and, as I say, this is the third year. We have indicated that there is some preliminary indication of some downward pressure on the rate of increase. The fees that parents make in that area are seen by government—and were seen by government at that stage—as a private investment in education. The enrolment in the non-government sector does not seem to have been dampened since the introduction of the SES.

Mr Evans—Whilst we are in the third year of the SES, 2003, in the financial questionnaire data that I mentioned to you, the information that is currently available is 2001 and the 2002 data will be available in August this year. So it is only in August that we will have a trend of the first two years of the implementation of the SES arrangements. So it is at the front end of getting that data.

Senator NETTLE—I suppose what you describe as the phase-in period certainly has an impact in terms of the funding of some schools, and some non-government schools in particular. Is it possible to get a copy of those preliminary results so far?

Mr Greer—It is preliminary work. We will certainly take that on notice for you.

Senator NETTLE—That would be great, thank you. Can you tell me what we are seeing in terms of the former category 1 schools through this preliminary work that you are doing?

Mr Greer—In what sense?

Senator NETTLE—What impact are we seeing of the SES funding on the category 1 private school rates and fees?

Mr Greer—I am not sure we have done a specific analysis of that. We have looked at this across the macro—

Senator NETTLE—What are we seeing?

Mr Greer—As I said, what we are seeing across the macro is some downward pressure on the rate of fee increase.

Senator NETTLE—So we only have it on an aggregate level. We do not have it looking at the former category 1, category 2 and category 3.

Mr Greer—No.

Senator NETTLE—We just have it across the board?

Mr Greer—Yes, that is the preliminary work we have done at this stage.

Senator NETTLE—I have to say I am a bit surprised in terms—

Mr Greer—I have a press article here of 1 June which, for instance, looks at schools with the highest fees. Looking at the fee rises this year, they go from zero—Shore in North Sydney has a zero fee rise—to a maximum of 14 per cent or so. But if you take out the polar ends of the continuum, I think we have discussed in this forum before where fee increases on average have been around five or six per cent.

Mr Evans—Which is around about the rate of increase in overall government school recurrent costs. So fees are in line with the cost pressures or the cost drivers in schools generally.

Senator CARR—You say that, but the advantage is plus the private income as well.

Mr Evans—But the fee income is not providing 35 per cent of the core recurrent funding at a non-government school. What I am saying is that 35 per cent is indexed at around about the same rate as the Commonwealth's level of indexation of its grants.

Senator CARR—The category 1 schools last year, they get \$11.4 million extra—in real terms?

Mr Greer—In real terms.

Mr Evans—That was the increase in the phase-in in that particular year for category 1 schools.

Senator CARR—But they are doing pretty well, aren't they? They are not exactly going broke.

Mr Evans—I do not know whether or not they are going broke.

Senator CARR—I thought you had comprehensive surveys.

Senator NETTLE—Of their financial records.

Senator CARR—Yes.

Mr Greer—We do have financial questioning.

Senator CARR—You would know whether or not they are going broke, would you not?

Mr Evans—I have not had any STEA applications from them.

Senator CARR—No, you have not. The stables down in Geelong are being well cleaned with these \$20,000 fees. It is a big request for hardship grants for people to be able to pay them. I suppose they have put in for scholarships or something, have they—

Mr Evans—A number of schools have put in scholarships.

Senator CARR—For the polo clubs—very important equity measure for the Commonwealth, is it not?

Dr Harmer—Is there a question in that, Senator?

Senator CARR—There is. I am just wondering how the equity program was going down in Geelong Grammar.

Mr Greer—I am not aware of the equity program at Geelong Grammar.

Senator CARR—Neither am I.

Senator NETTLE—I would imagine that the comprehensive financial records that you have talked about collecting would actually provide a pretty good basis for doing the sorts of affordability studies that I am asking about in terms of getting a sense of the impact of the SES funding model. But we are not doing that at this stage.

Dr Harmer—Senator, when governments introduce schemes such as this which have a phase-in, it is actually relatively unusual for them to start the evaluation before it is fully implemented. We have actually started the evaluation before the full implementation which is, I think, to be commended.

Senator NETTLE—I suppose I am a little bit surprised when I am asking these questions that I am having newspaper articles quoted back to me as a source of your answers about the impact of this funding model on schools fees.

Dr Harmer—Mr Greer was referring to the minister's comments. It was a convenient place to find what he actually said.

Senator NETTLE—SES funding models are a significant measure to be introducing and I am somewhat surprised. You have explained to me the situation, but we are talking about hundreds of millions of dollars of public funding going to private schools thus far with no comprehensive study being done by the department. I am a little bit surprised to say the least.

Ms Paul—I think the important thing about the SES system is not so much the effect it has—the school, of course, has to control its own fee setting and so on—but the benefit of the SES system is that, because of the immense amount of data that we use to establish the SES rates, we know that Commonwealth funding is being targeted correctly according to socioeconomic status. That has been the huge benefit of actually knowing. Some of those results are quite surprising in that sometimes we find some of these schools that you think would have a very high socioeconomic status in the community have a quite a varied one. I guess where we are coming from in the first instance is ensuring that the funding flow from the Commonwealth is appropriate by way of genuinely addressing the socioeconomic status of the community that the school is serving and so on.

Senator NETTLE—I understand the government's rationale in terms of what they perceived the SES funding model would do. It was put forward by the minister at the time in terms of its impact on equity levels. But what I am asking for is: is that the case? Is that what we have seen? I suppose that is why I am asking specifically for the impact. I perfectly understand the proposal put forward by the government on this issue. My questions are

related to whether that is indeed happening. I suppose I look forward to seeing where those preliminary studies are taking us. Is the department aware of anecdotal evidence—certainly that we have received—that the introduction of SES funding of private schools has adversely impacted on enrolment numbers at public schools, particularly in outer metropolitan areas?

Mr Greer—I am not sure of that anecdotal advice. What we can say is that the increase in enrolments in the non-government sector has been a trend that has been evident for at least two decades. I am not sure whether there has been any appreciable acceleration since the implementation of the SES.

Senator NETTLE—Perhaps I was not clear, what I am looking at is the impact on enrolment numbers at public schools as a result of the changes that have been made to SES funding model.

Ms Paul—I think what Mr Greer is saying is that we are not able to establish a causal connection and that, in fact, one of the pieces of data that might suggest there is not necessarily a causal connection between the two things that you name is that the rate of increase, which is undoubtedly true, in enrolments in non-government schools has been going on for a lot longer than the SES system. There is no other way, other than understanding each family's decision making processes, that we would know that the one thing caused the other thing—even though, of course, we understand it is a fact that enrolments are increasing in non-government schools. So it is a causality.

Mr Evans—Senator, I have graphed enrolments in government and non-government schools going back to about 1983. What you see for government enrolments is a fairly flat line where it had about 2.2 million enrolments back in about 1983 and about 2.2 million enrolments in 2002. The contrast is that, in about 1983, there were three-quarters of a million enrolments in non-government schools and a fairly steady rising line from that period through to about 2002-03. So at a time when we had governments of different persuasions in office, the pattern of enrolments in government and non-government schools has been pretty much the same. That is at a macro level. Within the states there have been other effects. I know that New South Wales is one state where there has been a significant rate of departure from government schools in recent years. I have not drilled down into all of the reasons why—largely it is the choices of parents and other decisions that make it. But at a macro level I just make that point that the figures do not show there is anything that has been a consequence of the SES arrangements.

Mr Greer—I am not sure, Senator, in that context whether there is a causal link there between the two, as Ms Paul indicated. If you look at the most wealthy school under the SES, it would attract about 83 per cent less than the average cost of educating a child in a government school, and the most needy under the SES system would attract from the Commonwealth only 70 per cent of the average cost of educating a student in a government school. I am not sure where the causal effect there is to the drift that you are trying to draw. There may be other causal effects in New South Wales, I am not sure.

Senator NETTLE—Mr Evans, have you graphed the changes in the outer western suburbs of Sydney, which is a particular area of interest to me? Have we got that kind of data available?

Mr Evans—I do not have that kind of data. I do not have it in respect of individual government school enrolments. I get enrolment data by individual schools for the non-government sector but I only have access to macro figures on the state basis for enrolments. I do not have them by locality within the state.

Senator NETTLE—It is a Commonwealth funding model. Is it possible for you to get that data to be able to see the impact of a Commonwealth decision, the SES funding model, on those particular areas that I am talking about?

Mr Evans—I can only get 50 per cent of the data. I have all the data on the non-government side. I cannot necessarily get the data on the government side on an individual school basis to then break it into localities.

Senator NETTLE—What about getting it on a locality basis rather than on an individual level basis?

Mr Evans—I am not sure how readily that exists, Senator.

Senator NETTLE—I would think that, in wanting to determine whether there have been the impacts that I am talking about and that people are describing to us in their schools and in their areas, there would be value in the department being able to access that data to make that determination as to whether in fact that has been an outcome of the SES funding model having been put in place.

Ms Paul—I suppose from our point of view the main concern for us, because the SES funding model only affects non-government schools, within that system is to ensure that we are correctly targeting funds on the basis of socioeconomic status. As Mr Greer said, because the amount of money that is flowing through SES to the non-government schools is still a lot less from the Commonwealth than the amount of money flowing per student to the state systems, we would not really see automatically a causal link like you are suggesting. We would not necessarily seek that data. The government school system, of course, is in the control of the states and I would imagine they would have that data no problem at all. But our concern has been to ensure the integrity of the system for the non-government schools in this area of SES.

Senator NETTLE—So you are saying to me the Commonwealth government is not interested on the impact of SES funding models on government schools in this country. Is that what you are saying?

Dr Harmer—No, we are not saying that, Senator.

Mr Greer—If you look at New South Wales, for instance, in 2002-03 my understanding was that the New South Wales state funding was some \$6.1 billion of which 91 per cent of that \$6.1 billion, or some \$5.567 billion, is attributed to the 68 per cent of students in government schools in that state. And nine per cent of the New South Wales government budget, some \$543 million, is attributed to the 32 per cent of non-government schools in that state. When you look at the totality of public sourced funding going to schools in the macro sense, I think 78 or 72 per cent of public funds go to the 68 per cent—

Senator NETTLE—I am well aware of the amount of money that this Commonwealth government puts into private schools and I am aware of the amount of money that state

governments put into private schools. That is something that is at the front of my mind when I think about value of public education in this country. What I am asking you is, in relation to the changes that have been put in place by the Commonwealth government that relate to SES funding models, whether the Commonwealth department is remotely interested in seeing the impact of those changes—not just on the non-government sector but on the government sector. Surely none of us are naive enough here to say they have not impacted on the government sector. I would have thought that would have been of great interest to the Commonwealth government to see the impact of this significant funding model change that was put in place by the Commonwealth government.

Dr Harmer—It would be of great interest to the Commonwealth. It would also be, I suspect, of significantly greater interest to the state government. Have you asked the state government if they are doing some analysis?

Senator NETTLE—This is Commonwealth government estimates and, as a federal Senator, I have the opportunity to talk to you.

Dr Harmer—Indeed. I am glad you mentioned that. I would be interested in the answer, that is all.

Mr Evans—The point I was trying to make before is that the pattern of growth in the non-government sector from the period 1983 through to the year 2000 is the same pattern of growth that has been occurring in the non-government sector since the SES arrangements came in. The SES arrangements on the surface have not led to a change in any rate of growth of the non-government sector.

Ms Paul—Just to give a personal explanation, we certainly are interested—of course we are. We are interested in the entire system absolutely. I am sorry if I gave you that impression. It is just that what we would have a debating point on is the causality. That is all. Of course we are interested in the whole system.

Senator NETTLE—Perhaps if we take on board your interest in the impact of this, you could tell me what the committee is doing about that interest in the impact on the non-government schools in terms of using the data that you collect and that you are able to access from the state governments to determine the impact of this Commonwealth model on those schools.

Dr Harmer—The difficulty I think is that, as Mr Evans has already said, we get relatively limited data from the state school system on enrolments. We have very good data on enrolments in the private school sector but we have very limited data from the state school sector, particularly on a small area basis. Therefore, the analysis would be quite difficult on an area-by-area basis for us.

Senator NETTLE—I understand in terms of the data that you have available to you on a regular basis. My question relates to if there is a genuine interest and concern in the impact, then you have the capacity to request that information from the state government and to be able to determine what is the impact. You may not be able to do it on the sorts of area level that I am asking you specifically about. The concerns that get raised with me are about the impact on outer western Sydney suburbs. That is where I am from. That is where I see the impact of these changes. You may not be able to do that in the level of detail that I would like,

but you certainly are able to access from the state government the information to determine if there is an overall impact. Is that something that the department is interested in doing?

Mr Greer—Certainly there is an interest from the Commonwealth in evaluating what the impact of the SES system is and will be. But, as I say, the SES system, which was really introduced or came into effect in 2001, is in its third year. It is still in a phase-in and has not been fully implemented. We have probably two years data on that. We have commenced some preliminary work.

Senator NETTLE—In terms of being able to access that data, I am aware that the New South Wales Department of Education and Training sells CDs which have school-by-school enrolment data in the public sector that I imagine would form a tremendous opportunity for yourselves to be able to do that sort of analysis that I am talking about.

Mr Greer—We can talk with our New South Wales department colleagues to see what data we might be able to get to have a look at the western suburbs of Sydney and look at what the enrolments trends are. Whether or not you will be able to draw a causal link between the phased-in implementation of the SES system and enrolment changes there is a moot point.

Senator NETTLE—I would appreciate if you can gather together the data. I am quite prepared to have a look at the issue of the causal link but, if you could put together the data, we would be heading off in the right direction, I think. Thank you very much. One more lot of questions which I do not think should take very long at all.

If we can turn to page 131 of the Portfolio Budget Statement and I am looking at the figures in this table that relate to the states grants act 2002. I am wondering if you can explain to us the basis on which the funding of private schools is estimated for the years 2004-05, 2005-06 and 2006-07 in this table?

Mr Evans—Did you want 2004-05 or do you want to start at 2002-03, 2003-04 and 2004-05?

Senator NETTLE—No, I am interested in 2004-05, 2005-06 and 2006-07.

Mr Evans—Total funding for non-government schools in 2004-05—

Senator NETTLE—I am looking at the assumptions and to be more direct my question is: is there an assumption the 2004 act will continue with the provision of SES funding to private schools?

Mr Evans—The answer is yes, Senator.

Mr Greer—And the minister made that clear in his media budget media release when he signalled that the SES would continue into the next quadrennium.

Senator NETTLE—Okay. Can you tell me what assumptions have been made in respect of three areas—private school enrolments, AGSRC and the percentage of AGSRC at which Catholic systemic schools will be funded for that period?

Mr Evans—If I go back to your first question, enrolments reflect the extrapolation of the pattern of non-government enrolments. So in that sense the trend that has been there over the course of the last, say, five years is the basis under which we are predicting that that trend would continue into the forward estimate period. The same pattern of enrolment shift.

Senator NETTLE—For those three areas in terms of private school enrolment, AGSRC—

Mr Evans—AGSRC, it is the same pattern. There is a parameter which I do not usually divulge, but it is a parameter that continues the same amount in the forward estimate years. That parameter is applied for both government and non-government schools and is a fairly significant factor in the rate of increase in government and non-government school funding. That is the factor that is built in there. The third one?

Senator NETTLE—Percentage of AGSRC at which Catholic systemic schools will be funded for that period.

Mr Evans—At this stage the forward estimates for all non-government schools reflect where they are at, at the moment. We are in the process of going through a recalibration of non-government statistics as a consequence of the 2001 ABS census becoming available. So we are updating the index of SES to pick up the 2001 census because at the moment it is based on the 1996 census. Also, we have collected from all non-government schools their student address population and we are currently geocoding some 450,000 of this year's student addresses to be prepared for the funding that would operate for 2005-08.

Senator NETTLE—Thanks very much. All yours.

Senator CARR—This recalibration that is under way, is this a small 'r' recalibration?

Mr Evans—It is a turbo 'r', Senator!

Senator CARR—I was wondering whether that includes the indexation arrangements at all. Are the parameters under review?

Mr Evans—I used the word 'recalibration' pretty carefully. In essence, it is using the same three derivatives or same three factors that comprise the SES arrangements at the moment, which is education, parents' occupation and a composite of household income and income of people by CD, collected districts. So in that sense we are determining the index against the 37,000 collected districts in Australia and then mapping the 450,000 independent school addresses against those 37,000 CDs.

Senator CARR—Where is the modelling done for this new recalibration?

Mr Evans—We engaged the company that provided us with the original work for the 2001-04 to recalibrate the index for us. We do the geocoding within DEST.

Senator CARR—What is the effect of this recalibration?

Mr Evans—It is really an update for the fact that we now have a 2001 census. What we used for 2001-04 was the latest census that was available at the time, which was the 1996 census. Now that the 2001 census—

Senator CARR—What is the effect in terms of schools, do you have an indication?

Mr Greer—We do not know.

Mr Evans—At this stage we do not know. We are in the process of mapping the student population to the 37,000 CDs and we are in the process of coming up with what the actual scores for each of those CDs will be.

Senator CARR—So you are finding a recalibration of the SES score in effect?

Mr Evans—Correct.

Senator CARR—When will it come into effect?

Mr Evans—It will come into effect in 2005. So it will actually come into effect with the new quadrennium.

Senator CARR—I see. Will that be part of the new bill?

Mr Evans—Correct.

Senator CARR—When are we seeing the new bill?

Mr Evans—2004.

Senator CARR—Have you started preparing it?

Mr Evans—No, Senator.

Senator CARR—You said you were going to talk to the states in that exchange before. Have you had any communications with the states about the comments that you have been making about their budgetary allocations? I saw a whole series of press releases the minister put out. Have you had any comments from the states about the accuracy of those press statements?

Mr Evans—I was informed about a statement that Minister Bligh might have made—

Senator CARR—So you are aware of that statement. How many others are you aware of?

Mr Greer—I am only aware of that one. This is the statement—

Senator CARR—That is the only one?

Mr Evans—There was also a reference that Minister Gallagher made about the fact that the Commonwealth should actually include in its assessment of state initiatives budget measures from previous years, which I found a bit unusual because that does not accord with standard accounting practice of how we treat budget measures.

Senator CARR—Really? Have you been listening to the proceedings here for the last couple of years? I have been talking to Ms Paul about these issues in regard to the ANTA Agreement and I was told that this is de rigueur now. Is this the sort of advice you provide within the department? I am just wondering if the same standards apply to the Commonwealth. You did the press releases, did you, Mr Evans?

Mr Evans—No, Senator, the minister's press releases.

Senator CARR—You did not prepare them this year?

Mr Evans—I do some analysis, but they are the minister's press releases.

Senator CARR—They are minister's press releases but they are prepared within the department, are they not?

Mr Evans—They are the minister's press release on the minister's paper with the minister's media contacts on the bottom.

Senator CARR—So this is Mr Hampton prepares them? So I can rely on Mr Hampton's judgment in this matter, can I?

Dr Harmer—We do not know who prepares them. We provide advice to the minister, as Mr Evans has said.

Senator CARR—So Mr Hampton, the dog on the wharves man, is preparing press releases in education these days. I am just wondering whether or not the department takes any objection to being described here as ‘dishonest manipulators’.

Mr Evans—Can I make a point on that—

Senator CARR—It was not the department; it was just Mr Hampton that was being referred to there.

Mr Evans—No, it is not that. It is the way in which Minister Bligh has pitched that the appropriate way to assess state budgets is to look at the original budget estimate that was taken about 12 months ago and compare that to the budget estimate that was announced a few days ago. If you look at the Portfolio Budget Statement on, say, page 45, you will see the two tables with the figures titled ‘estimated actual 2002-03’ and ‘budget estimate 2003-04’. So that is exactly what the Commonwealth has done in terms of assessing the Queensland budget. We have looked to see what their estimated actual outcome is for this year against the budget estimate that has come down.

Mr Greer—Essentially trying to get an apple and apple comparison.

Mr Evans—That procedure has been in place before 1996 at the Commonwealth level. So the way in which we present the figures to you is exactly the way that we analyse the Queensland figures.

Senator CARR—Minister Bligh seems to think that Dr Nelson’s press releases would fail the national numeracy benchmark test. She says that the budget increases in Queensland are actually 5.1, yet you have put out a press release saying it is 2.4.

Ms Paul—I think we may think that the analysis that Queensland are doing may be comparing apples with oranges.

Senator CARR—Unlike the Commonwealth.

Mr Evans—What you find here is that the total funding that occurs across schools varies in treatment from state to state, as Ms Paul indicated, and you actually end up with a fruit salad in terms of the totality of it.

Senator CARR—It is a fruit salad all right.

Mr Evans—The fruit salad is made up of the pineapples from Queensland, the apples from the New South Wales and the bananas from—

Senator CARR—Go on!

Mr Evans—And the Commonwealth comes along and throws in the avocados.

Mr Evans—We would probably get some exotic fruits from the Northern Territory as well.

Senator CARR—Mr Evans, given that you are trying to achieve a whole lot of agreements with MCEETYA and given that the minister on numerous occasions has pointed out the difficulties he has had with MCEETYA, do you think it is conducive to good Commonwealth-state relations to abuse the ministers in this way?

Ms Paul—I think it is a matter for the minister.

Dr Harmer—I think Mr Evans can answer that.

Mr Evans—I would like to make a point though. I went back and looked at the method that Minister Bligh supports, which is to look at a budget announcement from 12 months ago and compare it to the budget announcement now. To do that for the Commonwealth's figure would make the Commonwealth's figure move from 5.4 per cent to 6.2 per cent. So against the figure that Minister Bligh is putting up of 5.1, using that method of measurement, the Commonwealth would still come in higher. I do note that in the minister's statement, she made the point: 'I will concede that it is slightly less'—that is the state's figure—'than the Commonwealth percentage growth to state schools.'

Senator CARR—Yes, I did see that.

Mr Evans—So the minister does concede—

Senator CARR—I will look forward to the ongoing debate about that matter. You have told me on other occasions that the state officials read the *Hansard*. So I am sure we will hear more on this matter. Could you provide me details of the assumptions and the sources of the data for the elements of the estimates that are provided in table 7 of Budget Paper No. 1 on page 6-19?

Mr Evans—We will just check.

Dr Harmer—We may be able to give that to you if we can just locate the table.

Mr Greer—If it is the reconciliation essentially that you are looking for—

Senator CARR—I am looking for a number of things, but you know the nature of these sorts of questions at this time of the year. I am looking for enrolment projections, indexation, the underspends, changes in the classifications and the increases in administrative costs.

Mr Evans—I have figures on schools but mine include other factors. I would need to go back and reconcile that against table 7.

Senator CARR—I see the schools on page 6-19—I have that in front of me now—and what I would like to know are the assumptions and sources of data that underwrite those figures.

Mr Evans—I will need to come back to you. I have a separate set of figures in front of me. As we discussed before, my figures for schools—

Senator CARR—That might be the case, but you see the Queensland officials will be reading the budget papers and they will want to know how it is that you can make these claims. I am wondering if you can help the committee out now by providing us with some underlying assumptions.

Mr Greer—If it is the unpacking and reconciliation of table 7, we will need to take that on notice. If it was the reconciliation of the PBS, we could probably give you that—

Senator CARR—No, the question I asked related to table 7 in Budget Paper No. 1, page 6-19.

Mr Evans—If you look at table 7 on Budget Paper No. 1, you will see in the 2002-03 column a figure of \$6.115 billion for schools. If you go to the Portfolio Budget Statement, you will see that a comparable figure for 2002-03 on page 45 gets you to \$6.381 billion. So there is about \$260 million more.

Senator CARR—What page number was that?

Mr Evans—Page 45. One of the major factors for the difference between the Portfolio Budget Statement and Budget Paper No. 1 is the inclusion of Indigenous support. So the Portfolio Budget Statement, I believe, unpacks a lot more as to what are the elements that are appropriated through this portfolio for school education.

Senator CARR—Obviously you will need to take this on notice then. What I will need to have is a fairly detailed answer. I am looking for enrolment projections, numbers and sources of projections, including the assumptions, demographics, the transfer to non-government schools, staffing levels and student/teacher ratios and the indexation that is built into that.

Mr Evans—I can help you out with the enrolments. There is a slight reduction of \$800,000 in government enrolments and an increase of \$54.9 million in non-government enrolments.

Senator CARR—I have a detailed question here.

Mr Greer—I think it would be better to take it on notice.

Mr Evans—We will take it on notice.

Senator CARR—It is no good just taking a line out here.

Mr Evans—I would not have teacher statistics that relate to this program year.

Senator CARR—Just give me the detail that you have. There is one which you and I spoke about earlier—

Mr Evans—We try to answer the questions.

Senator CARR—I know you do. However, I was a bit hasty in some of your points in that matter, so I have to come back to that. You gave me a set of data that did not match up, which was unfortunate.

Mr Evans—We will talk about that.

Senator CARR—What I want is the highest level of detail you have on the enrolment projections, including the assumptions that underlie those matters; the indexation arrangements; the underspends and rollovers of programs, which include the Indigenous and the quality teaching programs; and the changes in the classifications of functions, which I see is included in the footnote on table 7. I am wondering if you could reconcile for me the increases that are listed here of \$122 million or 5.7 per cent in terms of how much was actually due, both in terms of dollars and in terms of percentages, to indexation, how much was due to enrolment change—primary, secondary and total. If you have any other factors that might help me explain that—

Mr Evans—I can do the supplementation. The supplementation accounts for \$443.9 million and for enrolments it is just over \$54 million.

Senator CARR—What is the percentage on that figure?

Mr Evans—I will include that in the answer, but I expect that it is probably around about 5.2 per cent, maybe a touch above that.

Senator CARR—And you will be able to provide me with the enrolment changes across the different sectors—primary and secondary?

Mr Evans—Not necessarily primary and secondary, but I can give you the enrolment decrease in government schools of about \$880,000, and an increase in non-government schools of \$54.9 million.

Senator CARR—And you would be able to provide to me the same reconciliation for the out years 2004-05, 2005-06 and 2006-07? The program will take that, won't it?

Mr Greer—Let us see what we can do.

Mr Evans—We will see what we can do, Senator.

Mr Greer—We know what you are looking for.

Senator CARR—Within that, can you give me a separate calculation for the government and non-government schools figure so that I can actually get that broken down as a subcategory?

Mr Evans—That is what I was attempting to give you just then.

Senator CARR—I know. But could I have that in the written answer?

Mr Evans—Yes, I have most of it at my fingertips.

Senator CARR—So it will not take you long to prepare it.

Mr Evans—I have not got the out years at my fingertips.

Senator CARR—The minister, in his budget press release, said that Commonwealth funding for government schools would increase by \$129 million, or 5.5 per cent.

Mr Evans—Correct.

Senator CARR—Could you reconcile that figure with Budget Paper No. 1, table 7? Again, I will need it in terms of the reconciliation for indexation, enrolments, changes in capital and targeted programs, student assistance and any other factors that you think might help explain the discrepancy.

Mr Evans—It is reconcilable with the Portfolio Budget Statements, Senator.

Senator CARR—Yes, but I am looking at this paper. Most people probably read this before they read the PBS.

Mr Evans—I will give you a reconciliation between table 7 and the Portfolio Budget Statements at a macro level.

Senator CARR—What I would like is a reconciliation particularly between this and the minister's press statement.

Mr Greer—The minister's press statement is based on the Portfolio Budget Statements.

Senator CARR—I am pleased to hear that. He would get that from the department, would he? The department prepared the press release, did it?

Mr Greer—No. The minister's press release, I think you will find, reflects the elements of outcome 1 reflected on page 45, as distinct from table 7 on page 619 of Budget Paper No. 1. We certainly have a reconciliation with the minister's press release, and we can provide that to you now.

Mr Evans—The minister's media release I think you are referring to is ministerial budget release 36/03.

Senator CARR—Yes.

Mr Evans—He specifically refers to the fact that there is record funding of \$6.9 billion to Australian schools and their students for 2003-04; whereas, the way table No. 7 is prepared, it breaks it down into schools and then into student assistance and other sub-elements. What I am saying is that there is more of a richness in what is appropriated to the department, and that is what the minister would like to promote—he is providing VET in school funding; he is providing student assistance; he is providing Indigenous assistance. That makes up the totality of the \$6.9 billion.

Senator CARR—All right. You will give me the answer. I understand the point you are making. How much of this increase can be attributed to indexation?

Mr Evans—I gave you that figure.

Senator CARR—That is right: \$444 million.

Mr Evans—It is \$444 million: \$142 million in the government sector and \$301.7 million in the non-government sector.

Senator CARR—Can you just go through that again. What is the total increase?

Mr Evans—It is \$443.92 million.

Senator CARR—That is the indexation amount. What is the total increase over that period in the appropriation? Other than indexation, what other moneys are there?

Mr Evans—It is a further \$84 million.

Senator CARR—So it is reasonable to suggest that the bulk of the Commonwealth funding for government schools in particular is indexation and that that increase is down to indexation?

Mr Evans—It is more than that, actually, because there are other transfers and reductions. On a reconciliation basis, the transfers and rephasings bring the increase in the government sector to \$129 million. So the actual supplementation was the higher amount, and other rephasings and cessation bring it down. I will give you that in the reconciliation that you asked for. I believe the question on notice will give you that information.

Senator CARR—Can you indicate to me that the indexation is also affected by state and Commonwealth recurrent expenditure per student?

Mr Evans—That is correct.

Senator CARR—So it is a cycle—they spend more, the AGSRC goes up—

Mr Evans—Correct. The relative size of the grants determines the relative size of the quantum.

Senator CARR—That is right. I am just trying to identify what the real increases are over that period if we separate out the indexation.

Mr Evans—I will take it on notice.

Senator CARR—I am wondering if you could also separate out the funding for non-government and government schools in terms of real increases, because the PBS does not do that, does it?

Mr Evans—No, it does not.

Mr Greer—Your question has already asked that.

Senator CARR—Yes, but I just want to be clear. I do not want you to be reconciling against the PBS; I want you to be reconciling against the question I have actually asked. Can you assure us that the calculations that you have used in terms of the analysis of the state budgets as well as the Commonwealth budgets would be on the same basis?

Mr Evans—That is correct, Senator.

Senator CARR—They would meet all the accountancy standards?

Mr Evans—In relation to the Queensland budget, the analysis looked at the Queensland government's 'Queensland the smart state' budget paper for 2003-04 and the budget highlights from the Department of Education. In particular, it drew from page 1-35 on primary education, drew from page 1-41 on secondary education, and for students with special needs, it drew from page 1-48.

Senator CARR—So your analysis of the state and territory figures included estimates for salary costs and cost increases?

Mr Evans—They attempted to trawl the total costs on primary education, secondary education and students with special needs.

Senator CARR—Did it include salary?

Mr Evans—It would have.

Senator CARR—They 'attempted to trawl' I believe were the words you used.

Mr Evans—To the best of my knowledge, when we went through the fruit analogy a few minutes ago—I will not go over that again—

Senator CARR—No, that is fine. You put it in the blender and you came up with a figure.

Mr Evans—A fruit salad.

Senator CARR—I just notice that the Commonwealth funding is in out-turn prices. Does that include estimates for indexation?

Mr Evans—It does. That is how we have presented it every year for you, Senator.

Senator CARR—I know. I am saying in terms of the comparisons, does the state's include indexation?

Mr Evans—I believe it does. It is accrual figures, so I believe it should.

Senator CARR—It should. Maybe we need to have a look in the blender.

Mr Evans—I'll have another look in the blender.

Senator CARR—You indicated to us last year that the original estimates were too high and had to be revised downwards because of the lack of data on the AGSRC; is that correct?

Mr Evans—I do not believe I would have put it that way.

Senator CARR—No, you would not have put it that way but that is what happened.

Mr Evans—I think the way I presented it—

Senator CARR—Remember you had to adjust the figures because the AGSRC figures came in later on—

Mr Evans—No, what I believe I said was that there was an estimate in the out-turn figures that you referred to for supplementation that was likely to have occurred in October last year, and that proved to be about 1.4 per cent above the final figure that came in from MCEETYA. So the effect of that was to revise downwards some of the expenditure for government and for non-government schools. That was also offset though by an increase in enrolments, particularly in the non-government sector. I think the net effect of the overall impact of the downward in the AGSRC and the increase in enrolments was around a \$19 million difference over about \$6 billion. So that is pretty good punting.

Senator CARR—But it was down a bit, was it not? It was adjusted.

Mr Evans—The final figure, that is right.

Mr Greer—I think we covered that off in, I think, the answer to question No. 456.

Senator CARR—I remember the answer. I remember you covered it off. Now that you have done so much work in getting into these state budgets, which always fascinates me, I am just wondering whether you can now convert the Commonwealth and each state and territory increases into total per student dollars as well as the percentage figures in the ministerial press release.

Mr Evans—Can I, Senator?

Senator CARR—Yes. You have had this deep analysis, this interrogation of the state budgets. You will not have any trouble converting that to a student dollar figure, will you?

Mr Evans—I could come up with the numbers for you, Senator.

Senator CARR—I bet you can, but I want to know if it will be an accurate number.

Mr Evans—I will take it on notice. I am not going to be able to provide you with the number tonight anyway.

Senator CARR—No, I appreciate you will not. Mr Evans, you have been doing this a while, haven't you?

Mr Evans—This might cut to it a bit better. I can provide to you the latest estimates of the MCEETYA figures on a per student basis.

Senator CARR—I want to see the comparisons that you have now used, since you are such an expert on state budgets—

Mr Evans—I did not say I necessarily did the work.

Senator CARR—I thought you did say you provided the data to enable these bodgie press releases to be produced. I thought that is what you said.

Mr Greer—I do not know what a bodgie press release is.

Mr Evans—The work was done in my area.

Senator CARR—That is right, but not by you personally.

Mr Evans—Not every bit of it, no.

Senator CARR—So you cannot then assure me that the minister's calculations would meet the normal auditing standards that would apply?

Mr Evans—You mean Commonwealth auditing standards or state auditing standards?

Senator CARR—Let us just start with the Commonwealth's.

Mr Evans—The analysis we do is the best analysis you can do of state budget papers.

Senator CARR—I know. But will they meet the normal auditing standards that you would apply?

Ms Paul—Presumably, if our analysis has been correct and proper, and the state budgets have met the accounting standards, we have reflected that in our analysis, I would guess?

Senator CARR—So are you prepared to give the assurance that Mr Evans is somewhat hesitant to do?

Ms Paul—That is the logic I can see there. I presume that would be the case.

Senator CARR—If the logic is so outstanding, I am sure Mr Evans will jump in here and assure me that it meets the relevant standards.

Mr Evans—I am reassured by your confidence in me, Senator.

Senator CARR—I still have not heard the assurance, though. I appreciate your answer, Mr Evans. Can I ask you this: the final paragraph of the ministerial budget press release calls on the states and territories to match the Commonwealth increase in funding. Is there a new agreement somewhere that I should look to that would pick up this formal process of matching schools funding?

Mr Evans—I think it was an aspirational comment from the minister—

Senator CARR—An aspirational comment?

Mr Evans—Hoping that state governments would apply some of the GST revenues towards school education.

Senator CARR—Can you tell me why it was that the Commonwealth minister refused to endorse a national statement of MCEETYA on the need for all governments to support government schools as a national priority?

Mr Evans—Are you referring to the principles document?

Mr Greer—My recollection is that the minister at the time—I think there is an annotation of this on the MCEETYA resolution—recognised that there was a concern at that time that there had been inadequate consultation with key stakeholders in the education sector,

particularly in the non-government sector. But I can certainly find that resolution and confirm that.

Senator CARR—I was just interested, given that the minister is now making a formal declaration—an ‘aspirational’ claim, I think you called it, Mr Evans—that there should be a formal agreement, with the states and the Commonwealth matching the funding. I am wondering whether or not that proposition in the press release could be reconciled with the refusal of the Commonwealth to actually sign off on the endorsement of a national statement from MCEETYA on the need for all governments to actually back government schools.

Mr Greer—I think it was calling on jurisdictions to raise the rate of increase. I think it recognised, for instance, that in the recent Connors Report in the ACT there was a specific comment that the rate of increase had not been—

Senator CARR—Mr Greer, can you explain to me, since you are obviously a defender of this press release, how, given that the states provide 90 per cent of the recurrent funding, the Commonwealth would match the dollar commitment from the states?

Mr Evans—There is a lag effect from what the Commonwealth puts in this year and how it measures the rate of increase by the states that forms the basis of the supplementation in 18 months time. If there is a trend that the states are putting in less now, that would then work its way through to be a lower level of AGSRC—

Senator CARR—That is not quite the question though, is it, Mr Evans?

Ms Paul—The statement from the minister really went to putting a challenge to match or to meet—I do not think ‘match’ was used formally there.

Senator CARR—Wasn’t it?

Ms Paul—I would not have thought so.

Senator CARR—I could probably dig it up here. We can probably find the word somewhere, can’t we?

Ms Paul—To match the rate of increase—

Senator CARR—Not the dollar amount. Mr Hampton has been busy, hasn’t he?

Ms Paul—Given that we all commonly express the rate in the sense of indexation percentages—

Senator CARR—So the word ‘match’ did not refer to dollars there at all.

Mr Evans—It specifically referred to the rate.

Senator CARR—It might well be argued that the Commonwealth follows the states, given that it is the states that put the money in that leads to the indexation increases which lead to the Commonwealth making its additional payments. Would that be right?

Ms Paul—So therefore it would make sense for the Commonwealth to call on the states to maintain that level—

Senator CARR—But I am saying the Commonwealth is following the states because the AGSRC follows the state increases. So it is the 18-month lag effect that you are talking about, Mr Evans.

Mr Evans—But the parallel is the call from the Queensland minister for the Commonwealth to maintain the AGSRC. So I think there is a recognition on both sides of the state and federal bounds that more should be done in schools.

Senator CARR—I have another question which is the same sort of detail I asked for on the question of non-government schools and I will put that to you. I will not go through it in detail, but it is of the same character as before. Again, I will turn to the ministerial press release and I was wondering if you could help me here. I sometimes have a little bit of trouble following the minister's thinking on these questions. That press release does not seem to mention the general recurrent funding increases in the non-government schools. Have I understood that correctly?

Mr Greer—It says that the government's eighth budget has allocated a record \$6.9 billion to Australian schools and students, which is an increase of \$528 million or 8.3 per cent over the last year.

Senator CARR—It does not actually mention specifically the very significant large sums of money for recurrent increases in non-government schools, does it?

Mr Evans—It is included in the aggregate statement at the top.

Senator CARR—That is by inference.

Mr Evans—By inference, yes. The top figure picks up government and non-government. The second paragraph—

Senator CARR—You could help me a lot more here by perhaps providing me with some more information so that I have a clear fix on this and can clearly understand what is meant here. What I would like to know is the funding increases for government schools, including the effects of indexation, enrolment increases, the phasing in of the SES scheme and any other changes.

Mr Evans—I think all those points are covered in the reconciliation that you have asked for.

Senator CARR—If they are, I do not want you to provide the same information twice just so that it is clear in your answer. The media release does mention capital funding for non-government schools. Why does it only mention it for non-government schools?

Mr Evans—What was facing the government at the time was the fact that there was a lapsing element of the non-government school capital program. That lapsing element has continued at the same level into 2003-04. The net effect meant that both the government capital program and the non-government capital program, as a consequence of this continuation of a lapsing element, were maintained in real prices.

Senator CARR—Sure, but the funds for indexation provided to government and non-government schools, don't they actually operate on the same basis in that regard?

Mr Evans—No, but the point that is made here—

Mr Greer—There was a lapsing element of non-government capital. I think it was of the order of \$40 million over three years.

Senator CARR—Sure, but what you can do then, if that is the case, is tell me what were the number of properties sold or leased by non-government school authorities since 1996 and the amount of Commonwealth capital funding in those properties. You give it as a grant, don't you? You do not actually require under property sold a return—

Mr Evans—We have an arrangement in that where there have been capital works at a non-government school and that school is sold within, I believe, a 20-year period, we determine a level of refund—

Senator CARR—Okay, that is good. So you will have no trouble with this then if this is part of a normal agreement, the 20 years.

Mr Evans—If the school is sold and it continues to remain as a school and the price that it was sold for reflects that, we do not collect it. But if there is a commercial benefit to be gained through the sale of school property, that is when we actually move in to collect.

Senator CARR—Can you tell me the number of properties sold or leased by non-government school authorities since 1996 and the amount of Commonwealth capital funding in those properties?

Mr Evans—Sure.

Senator CARR—Can you also tell me how many times there has been an actual sale to a non-school commercial entity—

Mr Evans—Yes.

Senator CARR—That would cover it, would not it?

Mr Evans—To my recollection, I am only thinking of one at this stage but I have only had the capital program in my area for about the last six months. We will take it on notice.

Mr Greer—To the extent that the information is there, we will—

Senator CARR—You can provide me with a list of the properties, the value of the properties and the real value of the Commonwealth funding—

Mr Evans—In circumstances where the Commonwealth has found it necessary—

Senator CARR—If you are saying there is only one in those circumstances, that will be a short—

Mr Evans—Well, there might be one going back earlier. I am only referring to one that has come up in my—

Senator CARR—It will not be an extensive list. I do not want to tie up the resources of your department unnecessarily.

Mr Evans—I understand the intent of your question, Senator.

Senator CARR—Have there been any state or territory interest subsidies provided for these properties?

Mr Evans—I would not necessarily know, Senator. I will see what information we hold on that.

Senator CARR—Would you report these? Are there any reporting requirements?

Mr Evans—Interest subsidies is a reporting of a state scheme, so in that sense we do not require a school to report in detail about interest subsidy. I might be able to identify it through the financial questionnaire but I will see what we can find.

Senator CARR—Thank you very much. Can I ask about the salary packages for headmasters and headmistresses—I believe they are the terms that are still used, are they?

Mr Evans—I just term them heads of school.

Senator CARR—Are they called headmasters and headmistresses in the survey?

Mr Evans—Probably principals.

Senator CARR—Does the department have information on the remuneration packages paid to the heads of independent schools?

Mr Evans—No, Senator.

Senator CARR—So even when they are funded from public sources, you have no information?

Mr Evans—They are funded from a variety of sources.

Mr Greer—Similarly we do not have the information necessarily in relation to government principals.

Senator CARR—But you do not fund government principals.

Mr Greer—Yes, we do, we fund government schools.

Senator CARR—By how much?

Mr Greer—By 12 per cent.

Senator CARR—Actually, I would argue it is a lot more than that, as we have done before. Depending on which point in the argument we are taking, what is the latest claim—44?

Mr Evans—If you want to get into an attribution of GST revenues we can get it—

Ms Paul—That is a full fruit salad.

Senator CARR—That is why I am saying it is unwise to take these things too literally. Isn't it appropriate that we do actually have information on this matter, given there is so much Commonwealth money now going to the operating expenses of these schools?

Mr Greer—It is an issue that I think we will be prepared to take a closer interest in.

Senator CARR—You are prepared to?

Mr Greer—I think it is an issue that we may be prepared to take a closer look at.

Senator CARR—How will that be reflected?

Mr Greer—It may be reflected in looking at the definition of operating costs.

Senator CARR—There are reports in terms of executive salaries that are causing concern publicly and I am just wondering whether in terms of executive salaries within schools, which are funded from the public purse and particularly the non-government sector which is a

Commonwealth funded entity, it is legitimate for the Commonwealth to actually know what the money is being used for.

Mr Greer—As I say, without getting into the specificity of it, I think it is an area where there is probably a preparedness to have a closer look at the nature of operating expenses in relation to schooling.

Mr Evans—You might want to raise that with us at a future hearing. It is not actually a question on notice at this point but one that you might want to reserve and come back to us on.

Senator CARR—You want me to put it on notice?

Mr Evans—No, I do not think I have any more that we can say.

Senator CARR—You know what happens when we get an issue, it tends to come again. In regard to the funding of schools on page 27 of the PBS, there is an increase there of \$9.148 million, up \$2.2 million from last year.

Mr Greer—What page was that?

Senator CARR—Page 27 of the PBS. I am looking at the price of outputs. If you compare that figure with the one in last year's PBS—

Mr Greer—I might ask our colleague to join us.

Senator CARR—Would you agree it has increased by \$2.2 million?

Mr Storen—Which figure in particular, Senator?

Senator CARR—The price of outputs.

Mr Storen—The \$242.988 million—

Senator CARR—Do you see there output group 1.1, funding for schools of \$9.148 million?

Mr Storen—Yes, Senator.

Senator CARR—Now in the previous year it was \$2 million less; is that right?

Mr Storen—It was \$6.9 million in the previous year. You may recall last estimates hearing we had a discussion about the cost attribution of price of output across the whole department. I will just cover that again to refresh both our memories.

Senator CARR—Thank you, yes.

Mr Storen—If you look at the top of that table on page 27 of the current PBS, the total price of output for the department is \$242.988 million. That is the total cost of running the department itself. We attribute that cost down to each output group using a cost attribution methodology that looks at the costs of what I call our business areas, areas like Mr Greer's group that deliver the programs. Then we identify our corporate costs over the top of that and allocate them out on the basis of ASL. The overall price of output for the whole department has increased into 2003-04. If you have a look at the table from last year, it is \$234.4 million.

Senator CARR—So you have divvied up that amount.

Mr Storen—We have divvied up the increase on an attribution amount. We can isolate some variances, but generally it is an attribution.

Senator CARR—Can you tell me what increased functions this money will be used for?

Mr Storen—If you look across the department, the largest increases have been against international and higher education through the budget measures we received. The rest of the increases are increases across the board. It is hard to isolate precisely what function—

Senator CARR—That is the point, you see. I would like to know what it is you can attribute this extra money for. What is the particular output group doing now that warrants an increase of \$2.2 million? How many extra staff are there in the unit?

Mr Evans—It is not necessarily just staff within the schools group. It can be the attribution of services that are provided through policy advisings, legal, property, through research analysis and evaluation—

Senator CARR—I appreciate all of that, Mr Evans. What I would like to know is: what functions will this money be used for? I have not heard an answer.

Ms Paul—The bottom line is that it is the functions that Mr Greer's staff and all the support services that we offer to Mr Greer.

Senator CARR—Mr Evans has in fact said these are the things you do. I expect that is what you do all the time. What I would like to know is: what extra increased functions will be done with this \$2.2 million extra? I would like to know what increased accountability matters will be resourced by this.

Mr Greer—It might be useful for us to unpack what those attributions were and come back to you on how those attributions—

Senator CARR—I would appreciate that.

Dr Harmer—We will give you a reconciliation.

Senator CARR—What I would like to know is what increased functions will it resource, and the increased accountability matters we raised on previous matters. Will the increase be used to review the current SES funding scheme and preparation for the new legislation? And, if so, obviously I would need to know the detail of the review process, the consultations with state and territories and with other groups. If it is not for the review, I would like to know whether or not you intend to advise an extension on the current arrangements for 2004-08. From what you have said though, Mr Evans, I expect that you are planning a new recalibration so I expect there will be some consultations about that matter. I trust it is not \$2 million worth.

Mr Evans—Sorry, what is not \$2 million worth?

Mr Greer—The recalibration.

Mr Storen—We could roll back from the discussion about the Queensland state budget and how you can compare one year to the next—

Senator CARR—But we won't.

Mr Storen—What we are talking about here is comparing the previous budget to the current budget in respect of which there is a fruit analogy. A more accurate comparison is perhaps page 44 which compares our estimated actual for 2002-03 for output group 1.1. It still shows an increase of about \$900,000.

Senator CARR—Okay. What I am interested in though is if you can explain to me the page I have in front of me—that is the obvious interest I have in this matter. How much of the department's resources are directed at the administration of government school grants?

Mr Evans—Part of that unpacking of the attribution breaks it down on a government and non-government basis, so we would need to come back to you as part of that answer.

Mr Storen—What you have to remember is a proportion of this is attribution. Within Mr Greer's group, there are people who work on programs that cover both government and non-government, so we make estimates of time and attribute it.

Senator CARR—We would like to know how much is being spent on the administration of government school grants. We have already raised this evening the question of a national report on schooling, and you have told me that you think it might be ready by the end of the year—

Mr Evans—No, we said that 2001 is almost completed and we were hopeful that 2002 would be completed this year.

Senator CARR—Some chapters, of course, are available online now, aren't they?

Mr Evans—Correct.

Senator CARR—What has been the longest delay in the release of the report? Is this the longest period of delay we have had?

Mr Greer—We will check for you with MCEETYA's secretariat which is responsible for bringing these together.

Senator CARR—I am told that the Bible is more up to date than these national schools reports. Would that be right on that score?

Mr Greer—I cannot believe that.

Senator CARR—You can't believe that.

Mr Evans—There is a factor that I might explain. When the Annual National Report used to be produced as a hard copy document, you had to wait until the last edit was completed before you could actually go to the printers. Now that we put it online, we can get chapters up as and when they are approved. So that means—

Senator CARR—Terrific. So let me just go through the approval process. That is one of my favourite topics.

Mr Evans—Which?

Senator CARR—The approval process for the publication or the suppression of reports. Have all the states and territories completed their reporting?

Mr Evans—As I indicated earlier, responsibility for the national report does not come in my area—

Senator CARR—This is the hospital pass of all time, isn't it? Who is responsible, Mr Greer?

Mr Greer—At our end for the coordination of that? That belongs in our RAEG—our Research, Analysis and Evaluation Group. As I say, the coordination of this actually rests with the MCEETYA secretariat.

Senator CARR—Coordination—

Mr Greer—And development of it as the national collaborative.

Mr Evans—It is a report by MCEETYA, Senator.

Senator CARR—Yes, I know, but you can tell me whether all the states and territories have completed their reporting, can't you?

Mr Evans—I would have to rely on our colleagues in the research analysis group to be able to tell us.

Senator CARR—You would be able to tell me whether or not the Commonwealth minister is holding up publication, wouldn't you?

Mr Evans—Again, I would have to rely on—

Senator CARR—Can the department provide copies of the pre-print chapters?

Mr Evans—Only when they are approved.

Senator CARR—Approved by the Commonwealth minister?

Mr Evans—Approved by all ministers. I do not believe we could provide it to you in advance of it having met other clearance processes.

Senator CARR—Is Mr Spring responsible for this in any way or do I have the wrong person? Maybe I am blaming Mr Hampton unnecessarily and he is an innocent party in the suppression of these reports.

Dr Harmer—Mr Spring has had nothing to do with this.

Senator CARR—That is good. That eliminates one suspect. So is it just the minister then?

Mr Evans—We will need to come back to you with an answer. I think we have taken it on notice.

Senator CARR—Output 1.2, assistance for individuals with special needs, has been described in the past as assistance to school students with special needs and now it is down to individuals in the PBS. Is that a policy change?

Mr Evans—No, this is assistance to individuals including those with special needs.

Senator CARR—So is it going to the schools or is there a policy change now and we are getting a new voucher system?

Mr Evans—Bear with me a second. The reason it has changed from assistance to school students to assistance for individuals is the inclusion of IESIP in the output group 1.2. Some of the people who are assisted through IESIP are not school students. That is why the definition has been changed to assistance for individuals as part of a recasting of the output groups for 2003-04.

Senator CARR—I notice that the price of the output for the function is now \$56 million or 6.3 per cent of the value of the programs being administered. This compares with \$9.1 billion or 0.2 per cent of the \$5.9 billion administered under output group 1.1. It does seem to be quite a high administrative cost. Is there any reason for that?

Mr Storen—Yes, there is. It reflects the types of programs that are being delivered in the two different output groups. Output group 1.1 covers your general recurrent grants to the states. So you are looking at probably low volume, high value transactions.

Senator CARR—This is the post office effect?

Mr Storen—Your words, Senator.

Senator CARR—That is what it is though, isn't it?

Mr Storen—Output group 1.2 reflects programs including our Indigenous Education Direct Assistance which includes a fair proportion of our state and regional presence in terms of the price of the department's output there. It includes SAISO and Abstudy. The departmental cost there also includes the funding we provide Centrelink for the delivery of Abstudy. That is a different type of program and different type of delivery and administration by the department that reflects the cost structure.

Senator CARR—If I look at the price of the output, \$9 million and the administered expense of \$89.5 million—this is output group 1.3 and assistance for quality of teaching and learning—there seems to be a reduction in the current budget from last year of \$14.1 million for the output and 121 for the admin. What is the explanation for the difference between those two sets of figures in the two PBSs?

Mr Greer—In what output group?

Senator CARR—In 1.3, quality of teaching and learning.

Mr Storen—We will have to take that on notice. It is similar to the question you asked in relation to output group 1.1. It is a function of you comparing a previous budget to a new budget which has been split on a different basis. But there is still a reduction and we will come back to you on that.

Mr Evans—If you look at page 45, you will see in 1.3 how school online curriculum content does not show against 2002-03 but it shows against 2003-04. I think it picks up one of the points that Mr Storen is making that there is a change in what is actually included in some of the output groups. So we would need to give you a reconciliation.

Senator CARR—If you could, please. Is it because there are major changes in the direction or is there a cost overrun in the quality teacher program?

Mr Greer—No, Senator.

Senator CARR—Is there a change in the cash flow of the quality teacher program?

Mr Greer—No, Senator.

Senator CARR—Have there been any cuts to the program?

Mr Greer—Certainly no cuts to the program.

Mr Evans—You can see on page 45 how the program has increased from \$46.2 million in 2003 to \$47.7 million in 2003-04.

Senator CARR—Yes. I am just looking at this table here. I am wondering how we can reconcile these two sets of figures.

Mr Storen—If you look at the previous budget, 2002-03, there was no output group 1.4, whereas in 2003-04 we now have an output group 1.4 which has taken some of the functions of the old 1.3 into it. 1.4 has also drawn some—

Senator CARR—I see what you are saying, a reorganisation—

Mr Storen—When you try to compare an old structure to a new structure—

Senator CARR—You will give me a reconciliation of those. Can you tell me what happens—

Mr Greer—There is some explanation of that on page 26.

Senator CARR—I will look forward to your answer. Is there any provision within this program for schools or teachers who fail to achieve the agreed outcomes? What happens under this funding program?

Mr Greer—Do you mean under the quality teaching program?

Senator CARR—Yes.

Mr Greer—To date under the quality teaching program, the vast majority of the funding has gone to jurisdictions to assist with professional development of teachers. I think to date we have about 101,000 teacher participants assisted through the program.

Senator CARR—You have had no evaluation on that?

Mr Greer—Yes, I think there is an evaluation mid-stream.

Mr Townsend—I have responsibility for the quality teacher program. There has been an evaluation carried out during the life of the program by a consultant called Dr David McCrae. He looked at a couple of measures: general qualitative data on satisfaction with the courses delivered and also the number of teacher participants. So we have both of those sets of information.

Senator CARR—Are you satisfied that the program is working well?

Mr Townsend—We are satisfied that we are getting to a number of teacher participants. They are telling us that their skills are improving and they are getting value from the course. But with any program there comes a time when you need to take stock of how it is going. We have decided to do that in the middle of this year. We have decided that we would like to run a consultation process during the middle of the year on how the program ought to develop and evolve from now on. That should give us some information and give us a chance to take stock of how it is going.

Senator CARR—I will ask you to take this question on notice. I wonder if you could give me details of funding for all programs supported by the quality outcomes program 2002-03, including the quality of the teacher program, number of schools, teachers, government, Catholic, independent, primary and secondary; themes and objectives; illiteracy, sciences,

vocational education and other programs; the details of consultancies and projects including project descriptions, the expected outcomes and timing; and the details of the conferences, workshops and seminars funded by the Commonwealth.

Mr Greer—Certainly, we can take that question in full on notice. I have some information here.

Senator CARR—You could give it all to me on notice, given the hour.

Mr Greer—Certainly.

Senator CARR—In regard to the VET in schools matters in 1.4, what is the rationale for giving this new output life?

Mr Greer—This was bringing together into the one output group those programs that worked for the transition for students through and from school. We have brought together in that, as I mentioned earlier, the careers and transitions partnerships element, which was the former ECEF funding, and the career education program together with the Jobs Pathways program from output group 2.3 and the POEMs element into the one output. This gives us, as we said earlier, a bucket of over \$50 million to look at the efficiencies and avoid the duplications and overlaps.

Senator CARR—At page 52, table 2.1.3, of the PBS you say that a copy of the VET in schools data will be available in July. Together with the data from the previous years for comparative purposes, can I get that data, particularly any targets or projections for the out years?

Mr Greer—You may recall that we touched on this in answer to your question 531 from last November. We indicated that jurisdictions no longer provide forward projections through the MCEETYA task force. We expect the MCEETYA task force on transitions to schools to report to MCEETYA in July this year, and we expect that out of that report we will have the data for 2002. I do not expect that report to look at projections. However, MINCO, which is meeting next week, will be considering a paper that ANTA have brought forward, which will be looking at different scenarios for projections for VET in schools. The broad bands of those scenarios out to 2010 run from a low estimate of 184,980 to an upper band of 341,774. But post those discussions, we will be able to—

Senator CARR—If I can get those, given the hour, I will come back to you in the next round and, in the post-MINCO environment, we can have a look at that. Can you tell me when the current quadrennium finishes? Is it this year?

Mr Greer—It is 31 December 2004.

Senator CARR—You said you were recalibrating SES scores. Are you able to give me any indication at this point of the effect of those recalibrations on Catholic systemic schools, schools that are currently funding maintained—

Mr Greer—No, Senator.

Senator CARR—You have no idea—

Mr Greer—This is absolutely work in progress, in a real sense. People are actually punching these addresses—

Senator CARR—Has the study on the resourcing of Australian primary schools been released yet?

Mr Evans—It was the first stage report that was released and that is up on the department's web site. I thought we might have given you a hard copy of it.

Senator CARR—I have excerpts from it. I have an executive summary. You think you gave me a full copy, Mr Evans?

Mr Evans—I can provide you with a full copy. A second stage of that study is under way. I have not seen any preliminary work on that.

Senator CARR—Do you think there is sufficient data now to give us any indication of a growing gap between expenditure on primary school students on a per capita basis and on secondary students?

Mr Evans—It is too early. I think the next stage of the work would look at that more closely. The figures I have seen tended to show that the disparity might have been decreasing rather than increasing.

Senator CARR—There is no definitive data yet?

Mr Evans—That is the purpose of the next stage.

Senator CARR—Are the same trend lines exhibited in both public and private schools?

Mr Evans—Again, that is a feature of the next stage. I would prefer to wait to have some verified data. In any study like that, you want to be comparing like with like.

Senator CARR—In Budget Paper No. 1, at page 620, I was trying to find the percentage figures you give on Commonwealth support for both sectors of the school system. Have you taken to providing that within the budget papers now—the so-called 45 and 12 per cent figure that you referred to earlier?

Mr Evans—No, I do not believe that is in there but I just happen to have it at my fingertips.

Senator CARR—What is it anyway?

Mr Evans—Which particular figure did you want?

Senator CARR—What is your current claim on Commonwealth support for non-government schools?

Mr Evans—This is based on 2000-01, and this is the proportion of Commonwealth funding on government schools and the proportion of state funding on government schools. The Commonwealth proportion on government schools is 12.3 per cent, the state proportion on government schools is 87.7 per cent, and that gets you to the 100 per cent, not surprisingly. The Commonwealth proportion on non-government schools is 71.7 per cent and the state proportion on non-government schools is 28.3 per cent.

Senator CARR—What is the change to this current budget year? You said that was 2001, didn't you?

Mr Evans—That was 2000-01.

Senator CARR—What is the more recent figure you have?

Mr Evans—That is the most recent because it relies on us having access to the state expenditures. There may be the ability to calculate it for 2001-02 but I am not predicting there will be much of a change on those relativities. The 12 per cent figure for the Commonwealth share on government schools has been around for probably the best part of 20 years in terms of an overall proportion.

Senator CARR—Has there been an evaluation of the establishment grants program?

Mr Evans—You would recall that, when the amendment to the establishment grants legislation was passed, the condition that I believe you actually put on the passage of the amendment was that there be a review of the establishment grants program undertaken in calendar year 2003. That review is under way at the moment. We will be meeting the requirements and concluding the report this calendar year.

Senator CARR—That review goes to the clarification of the term ‘new school’?

Mr Evans—It goes through all the definitional issues about how you assess a new school versus a campus, issues around location and approved authority, and all those aspects, Senator. They are all covered off. The review is under way at the moment; it has been under way for a number of months.

Senator CARR—Who is doing it?

Mr Evans—We are doing it internally, in part through our Research, Analysis and Evaluation Group. Then there is a steering committee that oversees the work and that is drawn from the education sectors.

Senator CARR—I just want to be clear about this. You are saying it will cover the clarification of the term ‘new school’, criteria on the identification of new schools, accountability of expenditure of grants, and clarification of expenditure reports and uses.

Mr Evans—Correct. The purposes for which it is used include issues around levels of assistance compared with relative SES scores—a whole lot of the issues—

Senator CARR—Eligibility? These are the issues I have been pursuing for some time—the whole lot.

Mr Evans—We have thrown the boundaries out wide.

Senator CARR—Good. When did you say the review will be concluded?

Mr Evans—We are required by the amendment in the act to have it concluded this calendar year. So the timing of that is pretty appropriate in the context of moving towards the 2005-08 quadrennium next year.

Senator CARR—So by the end of the year; that is all you can say?

Mr Evans—Yes.

Senator CARR—When will we get a copy of the review evaluation?

Mr Evans—When it is released.

Senator CARR—When will that be?

Mr Evans—Towards the end of the year.

Senator CARR—I think we can predict where that is going to go.

Mr Evans—It is a requirement.

Senator CARR—I understand that. I would like to see it as soon as it is available. I just hope it is not held up in the minister's office, along with the suppressed report on higher education. There is a very long queue of reports yet to come out of there.

Dr Harmer—I am just going to get this in case it is the last time tonight—

Senator CARR—Where is it? Will you be able to provide it for me tonight?

Dr Harmer—Certainly not, Senator. It is not—

Senator CARR—Senator Crossin was saying to me that I would have \$50 on getting it tonight, but it is not going to happen. I just wondered where it was. That was the answer I was looking for.

Dr Harmer—The minister is still considering it.

Senator CARR—Given the previous matter we have just discussed, Mr Evans, Glendale Christian College in South Australia is one that closed in 2001. Do you know the one I mean?

Mr Evans—Yes, I am familiar with the college.

Senator CARR—There is another matter I might put on notice. So you are familiar with the Glendale Christian College in South Australia that closed in 2001?

Mr Evans—I am familiar with it.

Senator CARR—Do you recall there was an application for a grant for the Glendale College in South Australia which was opened in Victor Harbour, which is very close to the school that closed?

Mr Greer—This was a couple of years ago.

Mr Evans—If you have a question on it, I will take it on notice because I am not familiar with all the detail.

Senator CARR—The way it was put to me—you can tell me if I am right or wrong—was this: Glendale Christian College closed in 2001; a school opened within very close proximity, a few kilometres, and 400 students immediately transferred into that school; and an establishment grant was made. Can you tell me if that is true?

Mr Greer—That is correct. An establishment grant was paid to Glendale College in 2001. The entitlement in the first year was \$212,500 and the second year entitlement for 2002 was \$108,250.

Senator CARR—Were they one and the same school?

Mr Greer—This is Glendale College.

Senator CARR—That is right. Glendale Christian College closes and Glendale College opens up almost within a few kilometres.

Mr Greer—Without having the detail here, my assumption is that this school would have complied fully with the criteria. As Mr Evans said, we will certainly take that on notice.

Senator CARR—Can you tell me how many of the 400 students that were involved with the so-called new school called Glendale College had ever had any association with the Glendale Christian College?

Mr Greer—We will certainly take that on notice in the response we bring back to you.

Senator CARR—If you could also tell me this: in September 2002, did the school change its name to Investigator College?

Mr Greer—We will specifically come back on that.

Senator CARR—I am told by state government sources that this occurred. I am told it also ended up with two college campuses—surprisingly, one at Victor Harbour and one in the same area, Goolwa, as the previous school, the Christian college, that had closed the year before. Did the new entity get an establishment grant as well?

Mr Greer—What was the name of the new entity?

Senator CARR—It was Investigator College with two campuses, one at Victor Harbour and one at Goolwa. Was another establishment grant issued?

Mr Greer—From the schedule that I have in front of me, I cannot identify an establishment grant going to other than Glendale College at 2 Glendale Grove, Goolwa, if that is one and the same.

Senator CARR—Is that not the address for the college that closed down in 2001?

Mr Greer—I am not sure.

Mr Evans—As Mr Greer indicated, we will come back to you with the basis under which that—

Senator CARR—If you could, please. What I would be interested to know is whether there was a reregistration and whether that reregistration under the present arrangements triggered an automatic grant.

Mr Evans—We will cover that in the answer.

Senator CARR—Because I presume your evaluation process will pick that sort of thing up, will it not?

Mr Evans—As I have said, we have thrown it out wide to look at the basis on which schools are included and whether there were any question marks being raised in the process. The criteria feature quite strongly in the evaluation.

Mr Greer—But certainly *prima facie* it does not look as though an entity called Investigator College—

Senator CARR—That is fair enough. I could be misinformed. Wilgie View Learning Centre in Western Australia received an establishment grant in 2001. The guidelines say that a school has to be for primary or secondary enrolments but not pre-school to qualify for Commonwealth funding. That is right, is it not? Have I understood the guidelines correctly?

Mr Greer—Your understanding is correct.

Senator CARR—Did Wilgie View have any primary students or just pre-school students?

Mr Greer—Wilgie had six full-time primary students.

Senator CARR—What year was that?

Mr Evans—I take it that it is 2002.

Senator CARR—But it got an establishment grant in 2001, did it not?

Mr Evans—Correct, Senator. I do not have the census numbers here—

Senator CARR—I would be interested to know how many primary school students it had when it got the grant.

Mr Greer—That is correct. The Wilgie View Learning Centre, you are right, had an establishment grant approved in 2001. The first entitlement was \$4,050 and the second entitlement for 2002 was \$1,500. It may well be that the second entitlement in 2002 reflected the six students that it had at that point.

Senator CARR—But in 2001 it does not—

Mr Greer—In 2001 it may have had more students.

Senator CARR—It might not have had any either.

Mr Greer—I assume that it had.

Senator CARR—It is the nature of things that you are told these things and you may not necessarily be right. How many primary students did it have in 2003?

Mr Greer—I am not aware. We will have to come back to you on that one.

Mr Evans—We will include that in the answer. We have enrolments for the purposes of establishment grants. The question of how many they had in 2003 does not impact on the establishment. I would need to get that from their census figures.

Senator CARR—I was told that the Wilgie View school operated as a kindergarten and that it was closed at the end of 1998. You gave it an establishment grant in 2001. I am told it may have been re-established in some form, but it will be interesting to see what you can tell me about that.

Mr Greer—Certainly.

Senator CARR—I am also told that in 2003 the school changed its name to the Spirit of Play Community Early Learning Centre and that it is now going through a process of reregistration under its new name. Do you have another application for an establishment grant for the same school before you at the moment?

Mr Greer—At 16 May 2003, we had 12 applications for new schools for the 2003 program year and only two of those have been approved. I do not have the names of those schools but we will certainly—

Mr Evans—There is only one school that we had approved for 2002 through to May this year, and it is not that school.

Senator CARR—Is it still the case that automatic registration leads to an establishment grant?

Mr Evans—That is incorrect. There are other criteria. As a starting point, there would be the registration of a facility as a school. There are criteria that look at issues around the approved authority, whether it is an existing approved authority, location, student population and other factors like that—we have mentioned this to you before.

Senator CARR—Yes. So you will do a bit of a check on this. There is no assumption that they will automatically get another establishment grant.

Mr Evans—That is correct.

Senator CARR—Thank you. Can you tell me how much Commonwealth money the school has got from any education department source or any of the program sources?

Mr Evans—The school has to complete a financial questionnaire through which we are advised of how much money goes to that school.

Senator CARR—Have you made any other payments to this school and for what purposes?

Mr Evans—Are you talking about the Wilgie school?

Senator CARR—Yes.

Mr Greer—We will take that on notice.

Senator CARR—Is it possible that you have paid an establishment grant if they had no primary school students during the period?

Mr Evans—If it had no primary school students—you have to have the students because it is paid on a per student basis.

Senator CARR—So you reckon it must have had primary school students there at some time?

Mr Greer—My assumption is they had nine in the first round in 2001.

Senator CARR—You would not be interested in the fact that it has had several locations? Would that affect your judgment at all about the payment of this money?

Mr Evans—A number of schools have to change their location at times because of issues of planning or there might be—

Senator CARR—I know that—floods, drought, pestilence and all those things. I am interested in this particular school.

Mr Evans—We will include it in the answer.

Senator CARR—When do you calculate enrolments for the purposes of the establishment grant? Is it possible that you might have primary school students for the purposes of this exercise on day one but not have them three months later?

Mr Evans—It is a census date or a date that is recognised for the purposes of making a calculation, but I will cover that off in the response to you.

Senator CARR—I am interested to know whether or not it is possible that earlier in the year they had primary school students but did not keep them for very long.

Mr Evans—The eligible school has received \$500 per student in the first year, presumably triggered by the census date, and \$250 per student in the second year of operation, again presumably driven by the census date. But we will confirm that for you in our response.

Senator CARR—There are the usual update questions which I will put on notice. What I wanted to raise with you finally, Mr Evans, is a matter that we discussed earlier, E617.

Dr Harmer—I have some answers to questions. There is one which I understand is a standing question about reports which I will table. There are some estimated costs for the various science reviews, the question on the CSIRO security, and the national research priority committee terms of reference.

Senator CARR—Thanks very much. That is great. Are you ready to discuss E617?

Mr Evans—Yes.

Senator CARR—This is the one where I had a moment of rashness. What I am worried about here is that you were asked for a series of data in a time series. Particularly when we are talking about enrolment data, CES and former ERI status figures for government and non-government schools, we need the data in a form which is comparable. The information I have is not in a form that is able to be compared. The Gazette program is not comparable with your DEST data which was previously provided in the estimates. I was hoping to get a dataset that would allow me to do some analysis on a comparative basis.

Mr Evans—Specifically what was it you were looking for?

Senator CARR—The school name, the ERI category, the state SES score, the suburbs, the federal electorates—there is a whole series of criteria I was looking for, and the figures came back in an entirely different structure. Is it possible to get someone from your section to talk to my office about trying to get some sort of agreed format on this?

Mr Evans—I will have that conversation, Senator, but I believe you can map it across from the documents that are there.

Senator CARR—Is there a possibility we could talk about this tomorrow?

Mr Evans—That is fine.

Senator CARR—I am obviously not wishing to ask you to do something that you cannot physically do—

Mr Evans—I believe that the information is there.

Senator CARR—This is the Gazette, I am told.

Mr Evans—The Gazette includes all non-government schools by their primary and secondary proportions of AGSRC and it tells what their funding level is, whether they are on the SES or whether they are—

Senator CARR—Can we have a talk tomorrow about this matter? I am trying to find if we can get a mechanism to do that.

Mr Evans—I think attachment 4 gives you their ERI funding categories and what their increases are in 2004, both primary and secondary.

Senator CARR—Another matter is schools that are seeking establishment grants. You say there were 12 applications?

Mr Greer—I thought that was the case, yes.

Senator CARR—What I would like is a list of the applications and a list of those that have been approved.

Mr Greer—Certainly.

Senator CARR—I will put the rest of my questions on notice. Thank you very much for your assistance.

CHAIR—Thank you. That concludes the consideration of budget estimates for the Education, Science and Training portfolio. I thank the officers and staff.

Committee adjourned at 11.35 p.m.