

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2006-2007 ADDITIONAL ESTIMATES HEARING

Outcome: 2
Output Group: 2.4 - Funding for Higher Education

DEST Question No. E802_07

Senator Carr provided in writing.

Question:

Professor Gerald Burke has calculated that, over the period 1999-2004, the number of Commonwealth-funded EFT student places in Australian higher education fell by 5%.

- Student contributions grew by 18%.
- Base operating grant grew by 18%.
- But in real terms (constant prices) dollars per student fell by 2%.

1. Can you confirm these figures?
2. In so doing, can you confirm the indexation mechanism – by description and value – that you have used?
3. Professor Burke has used a composite index as follows:
 - 0.7 WPI Education;
 - and 0.3 non-farm GDP deflator.
4. Do you think that, for research purposes, this is a suitable index to use?

Answer:

Trends in publicly funded higher education students and revenue, 1999-2004

1. We are not able to confirm these figures from data held by DEST.
2. The indexation mechanism appropriate for the period 1999 -2004 is the *Higher Education Cost Adjustment Factor (CAF)*, which had the values below:

Cost Adjustment Factor Index, 1995 to 2004

1995	1.000000	2000	1.085211
1996	1.015750	2001	1.108650
1997	1.033823	2002	1.134358
1998	1.050122	2003	1.161183
1999	1.066707	2004	1.188354

Source: *Higher Education Report 2004-05*

The index reflected movements in salary and non-salary costs, comprising 75% and 25% of the index respectively. The salary cost component of the index was based on the Safety Net Adjustment (SNA) as determined by the Australian Industrial Relations Commission. Non-salary costs were indexed using the Consumer Price Index (CPI) from 2001 and the *Treasury Measure of Underlying Inflation* before 2001.

3-4 The suitability of the index used by Professor Burke for research purposes is a matter for Professor Burke.

A review of indexation for higher education funding was undertaken in 2005. Based on the findings of that review the Australian Government concluded that there was not a strong case for a change to the existing indexation arrangements.