

The Senate

Standing Committee on
Employment, Workplace
Relations and Education

Higher Education Legislation Amendment
(2006 Budget and Other Measures) Bill
2006 [Provisions]

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Membership of the Committee

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Committee Report

1.1 The Senate referred the provisions of the Higher Education Legislation Amendment (2006 Budget and Other Measures) Bill 2006 (the bill) to this committee on 7 September 2006 for inquiry and report by 3 October 2006. The main thrust of amendments are directed at the *Higher Education Support Act 2003* (HESA), although minor changes are also made to the *Higher Education Funding Act 1988* and the *Australian Research Council Act 2001*. The committee called for submissions and received only three. This may indicate either broad support for the bill across the higher education sector, or at least a broad acceptance of its provisions. The committee did not therefore conduct a public hearing.

1.2 Many of the amendments have their genesis in undertakings made by the Government as part of the Council of Australian Governments (COAG) efforts to improve mental health outcomes and to address issues in relation to the health workforce. Universities and other higher education institutions also urged increased flexibility in the way fees and contributions are determined between students for various courses of study. The bill reflects the easing of regulatory provisions which were more characteristic of earlier legislation.

1.3 This is an appropriations bill, which also includes some important changes to the way funding is to be administered. The amendments have three primary effects. First, they appropriate increased funding to universities and deliver an extra \$6.23 billion, making the total appropriation in excess of \$25 billion over the quadrennium to 2010. This will fund extra Commonwealth-supported places in medicine, clinical psychology, and general and mental health nursing. The amendments will also appropriate funding to the clinical training of nurses, through an increase in the Commonwealth contribution for nursing units of study to \$10 189 in 2007 to assist with the costs of clinical training. This reflects the Government's recognition of shortages in the health workforce, particularly in rural and remote areas. The committee notes, however, that the claim by the Australian Vice-Chancellors' Committee (AVCC) that the increase in the Commonwealth contribution was insufficient to cover course fees and clinical practical costs.¹

1.4 Amendments to HESA also provide for increases in various other areas, including the Commercialisation Training Scheme and the Capital Development Pool. Provision is also made for funding of the Australian Scientific and Technological Societies and the Council for the Humanities, Arts and Social Sciences. These changes reflect indexation for the years 2007 to 2009, as well as the addition of funding year 2010. The AVCC submitted that the method by which indexation is calculated does not reflect the actual escalation in university staff salaries. The AVCC makes the point

1 Australian Vice-Chancellors' Committee, *Submission 3*, p.1

that while universities have been able to make efficiency gains to this point, future cuts made necessary by unrealistic indexation of grants will harm the interests of students, employees and businesses reliant on university research and advice. The vice-chancellors recommend that indexation be calculated by primary reference to an education wage cost index.²

1.5 The Australian Physiotherapy Association (APA) was critical of what it considers to have been insufficient appropriation of funding for physiotherapy education, support for students on clinical placement, and for indigenous students in physiotherapy. The APA argued for physiotherapy to be brought into the same funding cluster as medicine, rectifying what the Association saw as the disparity of education and student support funding between physiotherapy and nursing, particularly in relation to funding for clinical placements.³

1.6 Their second primary effect will be to extend full fee-paying students' ability to get financial assistance for their studies through the FEE-HELP scheme, which commenced in 2005 and gave full fee-paying domestic students for an undergraduate course access to an income contingent loan (similar to HECS-HELP. FEE-HELP is also available to students studying at one of 44 private higher education institutes. The current FEE-HELP limit is \$50 950. This will be increased to \$80 000 from 2007, but will extend to \$100 000 for students enrolled in medicine, dentistry or veterinary science. The AVCC has questioned whether even these significantly higher limits are sufficient.⁴

1.7 The Government considers that these new limits will improve students' ability to make choices about their course of study, will promote participation in higher education, and will bring about a more diverse higher education sector. The bill will also extend to winter schools the fee-paying arrangements available to summer schools, improving opportunities for off-season study.

1.8 The third notable change to be implemented by the amendments is the relaxation of a number of restrictions imposed on the way universities set fees for units and courses. Universities have identified as a problem the current requirement that tuition fees and student contributions for a unit be set the year before they are offered and applied uniformly to students regardless of their course of study, and the mode of course delivery. The current provisions do not reflect likely differences in costs of delivering units of study. For instance, the cost of delivering a course at different campuses cannot now be used as a basis for varying course fees.

1.9 The amendments will remove these restrictions. However, where institutions do provide units at differing prices, fairness guidelines will apply. Universities will not be permitted to use, as a basis for deciding on the price of a unit, the manner in

2 *ibid.*

3 Australian Physiotherapy Association, *Submission 2*, pp.1,6

4 Australian Vice-Chancellors' Committee, *Submission 3*, p.1

which a student will pay for it.⁵ Universities will also be required to publish easily accessible information on what price any particular student will pay for each unit of study.

1.10 The relaxation in restrictions will also allow universities more flexibility in setting course fees between different groups of students, for instance, those who commence study in a particular year assuming that a particular unit will be available at a pre-determined price. While universities may maintain prices for different students and groups of students, they will no longer be required to set fixed course prices for a particular cohort, as is currently the case. The amendments will also enable universities to charge different fees (but not different contributions) for students undertaking the same unit but enrolled in different courses of study. The committee notes the support of the AVCC for this measure.⁶

1.11 Difficulties with the current fee setting regime were set out by the Government in a discussion paper, which received a favourable response from universities when distributed for comment in early 2006.⁷

Reference of this bill

1.12 As noted in para 1.1, the inquiry into this legislation attracted limited interest from stakeholders in higher education. On the basis of past experience with submissions, however, this indicates at least an acceptance of what is proposed. No appropriation is ever sufficient. However, the committee notes that while criticism is made that the bill does not appropriate sufficient funds in some areas there is acknowledgement that the funding increase is nonetheless substantial, and indicates that the Government has listened to advice from sector stakeholders.

1.13 The committee believes that the general lack of interest in this inquiry, as distinct from the obvious sectoral interest in the provisions and implementation of the bill, have some implications for the reference of such appropriations bills. The committee faces a difficulty in knowing how to comment on the likely consequences and outcomes of an appropriation of this magnitude. More fundamentally, it also questions the purpose of referring a bill for report in which the committee will be able to give little guidance to the Senate on how the legislation should be treated. Reports such as this cannot provide additional information or insight into the legislation in such a way as to add value to the debate that is to follow in the Senate.

1.14 The committee cannot make any recommendations about the levels of appropriation. This is the responsibility of the Minister, and a matter of government policy. A dissenting report, or reservations of particular members, will be included between the covers of this report, but they are no more than pointers to the second

5 Department of Education, Science and Training, *Submission 1*, p.4

6 Australian Vice-Chancellors' Committee, *Submission 3*, p.2

7 Department of Education, Science and Training, *Submission 1*, p.3

reading debate, reflecting party policy positions. The committee has limited time for inquiries, as do organisations and individuals making submissions. While the committee does not make any formal recommendation in regard to this matter, it suggests that decisions to refer bills should rest on more substantial grounds than in this case, and that they should be accompanied by specific terms of reference which indicate that the Selection of Bills Committee has been properly informed of the policy or administrative aspects of the legislation which warrant its referral.

Recommendation

The committee majority commends this bill to the Senate and urges its passage without amendment.

**Senator Judith Troeth
Chairman**

Opposition senators' supplementary comments

Opposition senators agree that this bill should be passed without amendment, primarily because the supplementary funding provided by this bill is so desperately needed by students, universities and the sector as a whole.

However, there are significant features of the Bill that warrant consideration by the Committee on behalf of the Senate. Given this committee's historical interest in the health of our university sector, it would be a mistake to simply recommend this bill's passage without commenting on the ongoing aspects of Government policy contained in this Bill, that continue to change the fundamental nature of our universities, and threaten the viability of Australia's fourth-largest export industry.

Indexation

One of the significant purposes of this amendment bill is to provide supplementation to university grants across the forward estimates.

In their submission to the inquiry, the Australian Vice-Chancellors' Committee stated that 'the existing index is not realistic. This Bill does not adequately address the real cost of the provision of services.' Their analysis is correct. The lack of adequate indexation continues to be one of the most significant constraints on the sector.

The rate of indexation being applied to university operating grants this year means grants will increase by just 2 per cent. By comparison, average weekly earnings rose by an average of 4.5 per cent annually between 1998 and 2004. As salary costs are the largest component of university operating expenses, ranging between 45 and 70 per cent, this gap between indexation and wage costs continues to expand. Since 1995, the gap between rising average salary costs and the rate of indexation provided by the Commonwealth has accumulated to more than \$500 million.

The OECD's latest report, *Education at a Glance 2006*, has highlighted the falling public investment in the higher education sector in this country, both in real terms and relative to our developed world competitors. While the rest of the OECD countries have increased public investment in tertiary education by an average of 48 per cent, in Australia it declined by 7 per cent.

Worse still, the report shows Howard Government increases in HECS and full-fee degrees mean Australian university students are now paying the second highest fees in the world. A decade of national government policies which emphasise private expenditure on higher education have forced Australian public universities to rely on more short-term and tenuous sources of institutional funding, such as full-fee degrees for Australian undergraduates and on international students also paying full fees.

There are now almost 100 Australian degrees costing more than \$100 000, a situation which highlights the Prime Minister's broken promise that his Government would never allow any degree to cost more than \$100 000.

The OECD Report comments on trends in higher education around the world, and says:

[I]ncreasing private spending on tertiary education tends to complement, rather than replace, public investment. The main exception to this is Australia[.]¹

As is clear from the figures contained in this independent and credible assessment, Australia is the major example of national government policy leading to the forcible replacement of public investment in higher education with increased private expenditure.

Adequate indexation linked to high-quality educational outcomes is essential to sustain and strengthen the quality of university education in Australia. Opposition senators strongly urge the Australian Government to reconsider its funding policies which threaten the quality of higher education services available to Australian and international students.

Student Debt

The significant measure in Schedule 2 of the bill is to increase the FEE HELP limit to \$80,000 for most students and to \$100 000 for medical, dental and veterinary science students. This was announced in the Budget, and is the second proposed FEE HELP increase this year. These changes to FEE HELP are significant, increasing the total debt available to students.

As noted earlier, there are now almost 100 full fee degrees in Australia costing more than \$100 000, so it is clear these increases are not sufficient to meet the real cost of these degrees.

According to the *Good Universities Guide 2007*, a full fee paying place in Medicine/Arts will set students back \$237 000 at the University of New South Wales and \$219 100 at the University of Melbourne. Medicine at Bond University costs \$233 100, while Medicine/Law at Monash University would build up a debt of \$214 600.

These massive increases in university fees are forcing up the total debts faced by students and graduates by \$2 billion a year, taking Australia further down the track of an American-style university system. The Department of Education, Science and

1 OECD, *Education at a Glance 2006*, Paris.

Training provided answers to this inquiry which show university graduates and students will owe over \$20 billion by 2009-10.²

Clearly the increases in the FEE HELP limit are needed to assist students faced with the rapidly mounting debts incurred by those undertaking full-fee degrees, and Labor senators will not oppose this measure. However, Labor opposes full fee degrees for Australian undergraduates at our public universities.

Regulation of higher education in the external territories

In response to a question on notice from Opposition senators, the Department revealed that the proposed guidelines for regulation of higher education providers in the external territories are being developed and will be implemented without reference to the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA).³ Opposition Senators are concerned that additional accreditation and governance regulations will be developed separately from a national accreditation framework. The involvement of MCEETYA would assist national consistency in accreditation, a vital ingredient needed to ensure quality of higher education in Australia and our external territories.

Senator Gavin Marshall
Deputy Chairman

2 Department of Education, Science and Training, *answers to questions on notice*, p. 7.

3 Department of Education, Science and Training, *answers to questions on notice*, p. 10.

Australian Democrats' minority report

- The Australian Democrats consider a strong and accessible higher education sector to be a key driver of innovation and competitiveness in Australia.
- As such, we support the increased appropriation of \$6.23 billion for new university places in medicine, general nursing, and mental health. We also support the additional funding for the Federation of Australian Scientific and Technological Societies, the Council for the Humanities, Arts and Social Sciences, and the Australian Research Council.
- The Democrats do, however, have a long-standing opposition to the introduction and increase of fees for tertiary education. Fees constitute a barrier to the pursuit of a tertiary education and can also undermine the high education standards that should be the foundation of our higher education sector
- The increase of the FEE-HELP limits laid out in Schedule 2, from the current \$50 950 up to \$80 000 for all degrees except for medicine, dentistry and veterinary science, where the limit would now be increased to \$100 000, on the surface may appear to allow these degrees to be more affordable.
- Over the long term though, these amendments will further entrench a system that is inequitable and will leave students who undertake those courses with a crippling personal debt.
- The Democrats will therefore move to abolish Schedule 2 of the Bill.
- We also support the view of the Australian Vice-Chancellors' Committee (AVCC) that the Government's current indexation mechanism undermines any increases in funding for the sector. We agree with the AVCC that the Safety Net Adjustment should be replaced with the Wage Cost Index for the purposes of calculating indexation under the Commonwealth Grant Scheme.

Senator Andrew Bartlett

Appendix 1

List of submissions

Sub No:	From:
1	Department of Education, Science and Training
2	Australian Physiotherapy Association
3	Australian Vice-Chancellors' Committee

