



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION
REFERENCES COMMITTEE

(Subcommittee)

Reference: Student income support

FRIDAY, 13 MAY 2005

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION REFERENCES COMMITTEE

Friday, 13 May 2005

Members: Senator Crossin (*Chair*), Senator Barnett (*Deputy Chair*), Senators Jacinta Collins, Kirk, Stott Despoja and Troeth

Substitute members: Senator Carr for Senator Collins

Senator Allison to replace Senator Stott Despoja for matters relating to the Schools and Training portfolio

Participating members: Senators Abetz, Bartlett, Boswell, Buckland, George Campbell, Carr, Chapman, Cherry, Colbeck, Coonan, Denman, Eggleston, Chris Evans, Faulkner, Ferguson, Ferris, Fifield, Forshaw, Harradine, Humphries, Hutchins, Johnston, Knowles, Lightfoot, Ludwig, Mackay, Marshall, Mason, McGauran, McLucas, Moore, Nettle, O'Brien, Payne, Ray, Santoro, Sherry, Stephens, Watson, Webber and Wong

Senators in attendance: Senators Crossin and Stott Despoja

Terms of reference for the inquiry:

To inquire into and report on:

The living costs of students enrolled in full-time and part-time courses and, in particular:

- (a) current measures for student income support, including Youth Allowance, Austudy and Abstudy, with reference to:
 - (i) the adequacy of these payments,
 - (ii) the age of independence,
 - (iii) the parental income test threshold, and
 - (iv) the ineligibility of Austudy recipients for rent assistance;
- (b) the effect of these income support measures on students and their families, with reference to:
 - (i) the increasing costs of higher education,
 - (ii) students being forced to work longer hours to support themselves, and
 - (iii) the closure of the Student Financial Supplement Scheme;
- (c) the importance of adequate income support measures in achieving equitable access to education, with reference to:
 - (i) students from disadvantaged backgrounds, and
 - (ii) improving access to education; and
- (d) alternative student income support measures.

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Subcommittee met at 9.48 am

DEAN, Professor Roger Thornton, Vice-Chancellor and President, University of Canberra, and Member, Australian Vice-Chancellors Committee

MULLARVEY, Mr Thomas John, Chief Executive Officer, Australian Vice-Chancellors Committee

CHAIR—Welcome. I declare open this inquiry into student income support. On 11 March 2004 the Senate referred to this committee an inquiry into current measures for student income support, with particular reference to the living costs of students enrolled in full-time or part-time courses. The committee is particularly interested in the adequacy of youth allowance, Austudy and Abstudy payments and the effect of these payments on students and their families. The committee will also be examining the issue of rent assistance, the effects of student part-time employment on academic progress and the plight of disadvantaged students—and alternative support measures.

I remind all witnesses that in giving evidence they are protected by parliamentary privilege. This gives special rights and immunities to people who appear before committees. People must be able to give evidence to committees without prejudice to themselves, and any act that disadvantages a witness as a result of evidence given before the Senate or any of its committees is treated as a breach of privilege. I welcome observers to the committee.

The committee prefers to take all evidence in public, as you would be aware, but it will consider any request for all or part of your evidence to be taken in camera. Mr Mullarvey, we have your submission before us. For our records it is numbered 114. Do you have any changes or additions you want to make?

Mr Mullarvey—No, not to our submission. But Professor Dean would like to make some opening comments at an appropriate time.

CHAIR—I invite you to make that opening statement and then Senator Stott Despoja and I have some questions for you.

Prof. Dean—First of all I would like to make clear that the AVCC take it as a precept that one of our objectives is to obtain diversity amongst our student profile. We feel that diversity has not improved substantially over the last decade. We will argue that one of the main factors which has limited it is indeed inadequate student support systems. We take diversity to be necessary, both from the point of view of social equity and from the point of view of providing the maximum innovative capacity to the IP generation of our community and therefore to economic growth. We think there are two reasons diversity is critical. Our submission has focused particularly on alternative student income support measures beyond those which presently exist, with that objective in mind.

We released the report into student finances, *Paying their way*, in 2001. There are several smaller update documents now available which confirm its tenor, including one from Dr Applegate and Dr Daly from my own university. The AVCC report found, essentially, that students were in two categories: those who have particular difficulty surviving on student

income support and those who, essentially, balance full-time university study with part-time or full-time work. Students are working longer hours than ever before, and there are clearly adverse effects on their tertiary studies. In the 2001 report we found that on average undergraduate students work approximately 14.4 hours a week and this leads to one in 10 students frequently missing classes during semester because of that work. In the subsequent updates that figure has, if anything, slightly worsened, and the evidence is stronger.

Possibly unlike others who will present to this committee, we endorse fundamental change in the system of student income support. I will briefly elaborate on that. We focus on developments which should enhance diversity, access and, particularly, as I implied, participation. We want to provide what would be genuine incentives for people to take up post-school education rather than any disincentives, such as currently exist. The submission outlines two particular ways of reforming student income support, and I would like to add a broader comment in conclusion.

The first approach is to develop a new comprehensive student income support payment separate from the youth allowance. This would support students more fully during their studies. It would be a significantly higher payment than that under the current youth allowance and would be available to a wider group of students in order to meet what are necessarily rising costs of both living and education. The cost of such a payment in supporting students in the short term through assistance in education will be more than returned through income post study, the reduced likelihood of assistance being required later in life—medically, psychologically or whatever—and, as I indicated at the beginning, the contribution to GDP growth.

The second meaningful reform that we offer for consideration is the expansion of the Commonwealth learning scholarships. This is an additional income support. The alternative to a separate payment is to retain the current system of youth allowance as a base payment but to add new Commonwealth scholarships based on the CLS. As these CLS are income tax exempt, it becomes an effective means of student income support without drastic changes to the current system. We have also made strongly the point that we support all government and university scholarships being exempt from income-testing measures. In other words, they should not affect students' income support benefits.

The third and final point I would like to make is also in our report. It is essentially based on the fact that, while diversity has not improved over the last decade and while Indigenous participation has declined in the last few years since the changes to Abstudy, HECS itself does not seem to deter people. There is no clear evidence that HECS deters students. Therefore, an additional alternative that might be usefully considered is the extension of HECS loans—still income-contingent, repayable only after graduation and not up-front—to cover university contracted accommodation, which is the biggest impost on people's expenditure, and university-specific things, like books.

The principle of extending HECS beyond simply paying tuition fees is already in place through the OS-HELP scheme, and this suggestion is a modification and extension of it which would be very practical. This particular suggestion is unlikely to be put forward by student political groups, for obvious reasons, but it is a favoured position in the minds of many students. They do not find HECS such a big problem and they would certainly be very grateful for an extension of the kind that we have just outlined. In summary, we think that the diversity of the student population has not improved, that there is a correlated negative impact on Indigenous

student participation since the negative changes to Abstudy and that diversity can be enhanced through income support reforms, because that is probably the major deterrent, rather than HECS.

CHAIR—Thank you, Professor Dean. Mr Mullarvey, did you want to add anything to that?

Mr Mullarvey—No, I have nothing else to add.

CHAIR—Can I just say up front that I think, certainly from the hearings we have had in Melbourne and Adelaide, the AVCC need to be congratulated on the work they have done through the *Paying their way* research. That has been drawn on quite heavily by quite a lot of the submissions this inquiry has received. I think it has laid good groundwork for us from which we can draw evidence and which we can use as a marker of what the issues in this inquiry are. I want to place on the record while I have you here that I think you ought to know—and I am sure you have read the transcripts from the other two days—that even student organisations have referred to and commented on the research. You said that updates since that research have shown that the figures have worsened. In what way?

Prof. Dean—The figures are very similar in quality but in quantity they have changed slightly. For example, the figure of 14.4 hours per week that the average student in full-time study works would have increased slightly. In my university, we know that the average for all students is 20.9 hours. The corresponding figure in the AVCC 2000 report was less than 20 hours for all students. In general there is a trend upwards. In the case of my university, another piece of data which we have from Dr Applegate and Dr Daly, which I alluded to earlier, is that a multivariate analysis of the impact of hours worked for gain against academic progress shows, as you might expect, a negative correlation. It suggests that people who work more than the 20 hours which is now reached on average definitely have major disadvantages.

CHAIR—A student doing the first year of a Bachelor of Arts would be expected to work how many hours in total, including attending lectures and tutorials and additional study?

Prof. Dean—That would vary slightly in definition from university to university, but, broadly speaking—and specifically for my university—a full-time student would be expected to undertake 40 hours of study per week.

CHAIR—If your figures are now showing that students are working around 20 hours, what is the flow-on effect there? Do students not attend tutorials or lectures or do they not put in quality study time in order to just pass instead of getting higher grades? Sixty hours is an awfully high expectation of someone trying to do that sort of work.

Prof. Dean—Absolutely. We think all that you have just listed are significant dangers and factors. We can detect, very clearly, reduced attendance at lectures and tutorials across the system.

CHAIR—So if we hear comments about standards dropping in Australia it is because there is a direct correlation between the amount of outside work students need to do and the amount of time they now do not have to put into their study?

Prof. Dean—There is always a danger of that. On the other hand, there are things we can do to countermand that. We believe that more active student learning rather than passive student learning, such as I would crudely describe a lecture, is critical. Many universities, including my own, would push an agenda towards making people more and more autonomous in how they study and decreasing the ratio between face-to-face contact and their effort. But that is only a partial countermand of the danger which we have identified. I agree with you.

CHAIR—Your submission suggests a separate student income support payment. Take me through what you mean. Are you suggesting that the common youth allowance should stay or that it should go, and that Abstudy and Austudy should all be set aside and a new system put in place?

Prof. Dean—No, we are not suggesting that those should go; we are suggesting that those have a particular utility but that their utility in relation to full-time undergraduate students in particular is not appropriate or effective. We are suggesting a new mechanism for those people.

CHAIR—How would that new mechanism work?

Prof. Dean—It would be somewhat analogous but it would be a higher level of support and the criteria would primarily be the educational ones and less the conventional income testing or other criteria that apply. Particularly worrying is the concept of independence, which is an elaborate criteria and very difficult for people aged between 16 and 24 to fulfil within the current schemes—yet that is exactly the key group that we would like to get into university. It is also the group for whom the statistics indicate that there is deterrence.

CHAIR—I have raised this in the hearings before. In the Northern Territory we are particularly affected by the current system, because Charles Darwin University does not offer all courses so quite a lot of people go to Perth. If they want to do pharmacy, for example, they might do to Perth. But because the youth allowance is income tested, those students generally miss out. People often say to me that it is quite an impost on trying to support their student while they are studying at university. Are those some of the sorts of barriers that you are presented with?

Prof. Dean—Definitely. Of course, Canberra is different from Darwin, and the same remark would apply to other cities. But I think that, in principle, those factors are universal.

CHAIR—Therefore, your idea of creating a separate student income support payment may look at trying to address the situation I have just described. It has always been put to me that, if the course is not offered in Darwin, students should be exempted from the income test, for example. Are you suggesting that a rethink of the rules and regulations should be applied?

Prof. Dean—Yes. John may want to elaborate on that.

Mr Mullarvey—I think part of our problem is that we relied on something that was developed 20 years ago. It has not been adapted to the current environment in which students learn and in which people live. The argument that a student is a dependent until 24, when they vote at 18 and have other things happen in their lives, seems a little out of date from our point of view. That is why we argue that you need to go back to taws, start afresh and decide what the

objective is and build from that. Some of those things that you are talking about would be appropriate to be addressed.

CHAIR—On the question of Indigenous students, you are quite convinced that the changes to Abstudy have led to a decrease in the number of Indigenous students at university.

Prof. Dean—I am a scientist, so I would merely state that the correlation is very marked. Up to 2000 there was a progressive increase—a very substantial and positive one in the proportional participation of Indigenous students—and there has been a flattening since then. It is a very remarkable graph. I think it is almost certain that the connection is there.

CHAIR—So would you be advocating to go back to the way things were—or at least to look at the issues? The department will tell us, probably when we see them later today, that they have been conducting a review of Abstudy.

Prof. Dean—I think it is clear that Abstudy needs some special components, or rather that Indigenous students need some special components, but ideally they would be included within a comprehensive student income support scheme such as we were just discussing. The special components may be like some of those you have alluded to for people from Darwin; they may be to do with the need for the home visit, which is a very specific thing for Indigenous communities; and there might be other factors which could be built in, which would be very useful.

Mr Mullarvey—We do have a copy of our submission to the Abstudy review, which we would be happy to present to the committee, in which we make some of those points.

Senator STOTT DESPOJA—I will begin by apologising that we do not have a government representative here to hear your submission. As we were discussing before your formal submission commenced, *Paying their way* was, and still is, an incredibly useful document. I was wondering whether the AVCC has any plans to update that particular research. If so, when?

Mr Mullarvey—I would like to make two points. We were disappointed that the AVCC had to undertake that study back in 2000. The government in previous years had undertaken similar studies, and we felt it might have been better if the government had continued to do that. At the time it chose not to, and that is why the sector at rather short notice undertook the study *Paying their way* where we had 19 universities involved. The data is starting to get a little out of date, and we have had changes in the policy environment, particularly flexible HECS being introduced, so the AVCC will be looking at doing another study in 2006 to update *Paying their way*. We would hope that, given that we are looking at this earlier rather than at short notice, we might end up with a large number of universities involved in the study—rather than the 19, maybe all of them—but it is a matter that each university will have to decide. We will be looking to do it early in 2006.

Senator STOTT DESPOJA—With the last *Paying their way* report, you did invite, as I understand it, the government to be part of that process. My understanding is that the government chose not to participate. Will you be issuing an invitation for the government to be a part of the 2006 report?

Mr Mullarvey—When we did *Paying their way* we did engage with the government. From my recollection, we sought some funding from them to undertake the study. We also talked with the student union groups. The government chose not to be involved but NUS, for instance, was part of our steering committee. I am not surprised that they might refer to our numbers because they were intimately involved in developing the methodology and undertaking the study, but we would do the same again next year.

Senator STOTT DESPOJA—We all refer to your numbers because it is the most comprehensive contemporary report. As you say, the figures are getting a little outdated and, Professor Dean, as you outlined in your opening comments, you have good reason to believe that the situation has changed even since that period of time. There is the question, though, about the lack of information or research being conducted by government. I note that in one of the submissions, the Student Financial Advisers Network indicated that the plain English guide that was previously produced by DEST on student income support measures is no longer provided. Do you know the story behind that or is that a particular issue that you have been involved in?

Mr Mullarvey—No, it is not something that we have been involved in. I was unaware that they had stopped producing that document.

Senator STOTT DESPOJA—Would the Australian Vice-Chancellors Committee be averse to the idea of an independent assessment of or inquiry into ancillary fees? As you may be aware, a number of submissions have raised the perceived or real increase in ancillary costs within universities. Do you think that is something that deserves some investigation or monitoring?

Prof. Dean—I think it is rather a secondary issue to the fundamental one that we are discussing, but that information should be transparent. I am sure we would be happy to have it.

Mr Mullarvey—I take on board that issue, and we will have a look at that in the context of the updating of our data to see whether we can be clearer or more transparent on those costs. Students were asked to identify costs, so we will look at that as well.

Senator STOTT DESPOJA—I take on board the comment about it being secondary—a lot of secondary issues have come forward as part of this inquiry. I would argue that VSU is probably not really in our terms of reference, but it has been presented to us that it is one reason why costs for students may increase. The ancillary costs issue has come up through a number of submissions.

Prof. Dean—Yes. The key ancillary cost is probably accommodation, the others being food and other living aspects. That is an aspect in which universities are very active in trying to mitigate the circumstances of students. Many universities have substantial amounts of accommodation and they make sure that they are run at minimal cost. In most cases they are run directly by universities and they try to break even and no more. For example, in Canberra we provide by far the lowest cost housing that a student could achieve of the quality that we provide.

Senator STOTT DESPOJA—Can you give us an idea of those costs?

Prof. Dean—Globally speaking, I would say costs range from about \$100 to \$190 per week across Australia. There are a lot of varieties and the only cheaper accommodation that can be achieved is when a small number of students, perhaps half-a-dozen or sometimes even 10, live together in a house in a very cramped, non-controlled, less ideal situation.

Senator STOTT DESPOJA—That is bringing back memories. In your opening remarks you talked about diversity and access. Obviously, equity is one of the four principles underpinning the Backing Australia's Ability package. I am wondering overall how you think that package rates in relation to equity and the diversity and access principles to which you refer.

Prof. Dean—As I implied, I think that there has not been an improvement during the period of HECS, but there has not been a worsening. I am reasonably convinced by the detailed analyses of the impact of HECS that it is fair to say that it does not deter. There is only one real issue which is difficult to evaluate fully and which I do not think we have a totally clear answer to—that is, whether there might be differences in debt aversion between the rural and lower SES groups and everybody else. If that were the case then HECS would still be deterring, but that has not been established. So at present I believe that is not the issue. Backing Australia's Ability does not provide any new initiatives which would help to improve that situation. That is why I also said in my opening remarks that I believe that the income support is a leverage which could be very powerful in spite of its smaller financial impost on government.

Senator STOTT DESPOJA—Indeed. I have no doubt, and you would be aware of my views on HECS and fees and charges. But I have no doubt also that income support is the key measure to facilitate access and participation. I found your remarks about HECS interesting. I found the answer you just gave interesting when you talked about debt aversion and the fact that it is not established whether HECS has been a psychological or financial disincentive. In your opening remarks, though, you seemed a little more certain that HECS had not had that kind of impact. Isn't there a difference between saying it has not been established because of a lack of research or independent investigation—

Prof. Dean—Of course there is. In my opening remarks I was trying to give you my personal assessment of the evidence that we have and the likelihoods. I was then amplifying to indicate that there is that caveat in the interpretation.

Senator STOTT DESPOJA—In those remarks you said that you believed that kind of income contingent or deferred payment mechanism for income support would be a 'favoured position' of students. I am wondering what has led you to that particular position. Is it discussions with students at your institution or is it more widespread research and analysis that has indicated that they would favour that style of income support?

Prof. Dean—I do not believe that there is a statistical survey which provides the evidence that we would ideally want. My position is based on conversation not only with a large number of students at my university; I have a principle of meeting random groups of students regularly as well as the formal students association and student politicians. It is also based on meeting a lot of students from other universities. It is not a statistical statement.

Mr Mullarvey—I think we could add the reaction from the student bodies to the government's decision to remove from Youth Allowance the ability to convert part of the

allowance into a loan, which was a HECS driven arrangement. The reaction from the student bodies was that they were very unhappy about that decision. I think there is some evidence, small as it might be, that there would be support for what is being proposed by Professor Dean.

Senator STOTT DESPOJA—On another issue, was the unmet demand report due to be released by the AVCC around now? When will that be released?

Mr Mullarvey—I anticipate that it will be released in the next week. We are just finalising the analysis of the numbers. Unfortunately, because of the avalanche of reports that have been delivered by the government to the sector, our resources within the AVCC—it is a small body—have been devoted to responding to those rather than looking at the unmet demand. But it will be out in the next week.

Senator STOTT DESPOJA—We keep asking you to appear before committees, so I suspect we have added to that burden as well. And I have no doubt that with the VSU inquiry about to happen there will be further demands on your time and resources. I now turn to the issue of scholarships. Obviously, this is another issue that has come up repeatedly through the submissions and there are a number of threads. I will start with the part-time scholarships. I am wondering if the AVCC has a position on this. What effect would there be if we were to exempt part-time postgraduate scholarships from the income tax assessment provisions? Do you have a view as to what impact that would have on postgraduate students?

Mr Mullarvey—Before I answer that, could I acknowledge that in the Crossroads review and the package that followed the government provided some scholarships to the sector, particularly in the accommodation area. There were only a small number but we need to acknowledge that.

Senator STOTT DESPOJA—Yes.

Mr Mullarvey—With respect to scholarships and the exemption from taxation, whether they be part-time or full-time scholarships our view is that there will be substantial benefits to students in ensuring that they are able to continue their studies. What we find in a lot of cases is that students discontinue their studies because they have to go and spend their time working, as is evidenced from *Paying their way* and the updated data that Professor Dean referred to. There would be considerable advantages to students continuing and completing the course of study that they have started. We have not done any analysis as to the financial impact on students directly; the conclusion is only from more general discussions.

Senator STOTT DESPOJA—You referred to the government's decision in the 2003 HESA deliberations to provide some scholarships. Do you understand the government's decision to exempt from the social security test the CL scholarships and the fee paying/fee waiver scholarships and not others? Do you understand the rationale behind that decision?

Mr Mullarvey—We understand why they have gone part of the way; we do not understand why they have not gone the rest of the way. It was a political decision made as a result of the pressure placed upon them. Was there any rational reason for it? I do not understand it if there was.

Senator STOTT DESPOJA—Were the AVCC consulted about that decision?

Mr Mullarvey—We were involved in the discussions that led to the government making the decision to exempt them. It came in part from our pressure and pressure from other bodies. We talked about the ridiculous situation of giving a scholarship and taking half or part of it back through taxation. We were involved in the discussions. My recollection is that we were consulted before the decision was announced.

Senator STOTT DESPOJA—Your position would be that the remaining scholarships—particularly those that are provided by your institutions, no doubt—should also be exempt from the social security income test arrangements?

Mr Mullarvey—Absolutely. It is a ludicrous situation where scholarships offered by universities are then taxed to the extent that some universities question what benefit there is in giving the scholarships, given that the students lose a large part of the money through taxation.

Senator STOTT DESPOJA—This has been a thread in terms of evidence provided to this inquiry, but I have yet to find anyone who can explain the differentiation in the treatment of those scholarships.

Mr Mullarvey—I do not think you will.

Senator STOTT DESPOJA—My next question relates to your comments about accommodation, Professor. As you know, the two Commonwealth Learning Scholarships are the Commonwealth Accommodation Scholarships—two of—and the Commonwealth Education Costs Scholarships. I am curious: does this mean that students necessarily pay for those things with those scholarships? Are you aware of any policing that takes place to ensure that the students who receive those payments through those aptly named scholarships actually spend the money on those areas?

Mr Mullarvey—There are a set of guidelines that universities need to follow in issuing those scholarships. But I know of no follow-up action that is taken by the government other than to ensure that universities have followed the guidelines. So there is no requirement to check that the accommodation money is actually spent on accommodation.

Senator STOTT DESPOJA—So, as far as you know, vice-chancellors or universities do not necessarily monitor the spending of those scholarships; they just acquit their responsibilities in accordance with the guidelines? There is no money for monitoring or policing how those scholarships are spent?

Mr Mullarvey—The universities do not see a need to do that, given the processes they go through before they approve who is going to get a scholarship. There is a lot of evidence produced to a university on the needs of the applicant—in accordance with the government's guidelines—before they issue a scholarship, so they do not see the need to follow that up with another survey of students asking how they actually spent a very small sum of money in terms of the costs of a student undertaking their study.

Senator STOTT DESPOJA—Should the Commonwealth learning scholarships be available for part-time students? Does the AVCC have a position on that?

Mr Mullarvey—At the moment our argument is that there should be more available for full-time students. We have not yet looked at the idea of moving on to part-time students because there is such a demand still there and such a need for full-time students. So we have not looked further to part-time students.

Senator STOTT DESPOJA—Can you put a figure on how many more full-time scholarships should be made available by the government?

Mr Mullarvey—If I could have your indulgence, I will send you a note on Monday. We have done some work on it but I do not have the number immediately in my mind. We will send you some information on what we have done in that area to argue to government—it is in one of our many submissions to government over the last 12 months—and I will pull it out and send it to you.

Senator STOTT DESPOJA—What about the four-year cap or limit on the Commonwealth learning scholarships—is that appropriate?

Mr Mullarvey—Any scholarship has to have a limit. Where do you put it? The government have deemed that students should be able to complete their course within four years. We have argued for a longer period. They have come back and have said, ‘There it is,’ so we have got to live with it, I suppose.

Senator STOTT DESPOJA—What about scholarships that are provided through the universities and particularly those that are provided by benefactors or philanthropists? Do you think that the failure of the government to exempt those scholarships from social security income testing arrangements is somehow a disincentive for people to make donations or contribute to your institutions and thus scholarships specifically? Is that an issue?

Mr Mullarvey—I will comment sector wide and then Professor Dean might talk about the University of Canberra. Comments from benefactors via universities are that it is a disincentive. If they are providing money and half of the money or a proportion of the money is going straight to the government as tax, there is less incentive for them to do that.

Prof. Dean—Yes, I would agree with that. As you know, the giving climate in Australia, particularly in the higher education sector, is poorly advanced in comparison with that in the US or even the UK, about one-third per head as high as in the US, for example. I think that this is a disincentive, which is part of the reason for it. There are other cultural and traditional reasons too.

Senator STOTT DESPOJA—Do you have specific examples of where your university has missed out on a contribution or a donation because of these rules?

Prof. Dean—No, I do not.

Senator STOTT DESPOJA—I am not sure whether the government will argue this today, but previously they have suggested that it would be unfair to exempt all scholarships from the social security test provisions. Do you see how it is unfair?

Prof. Dean—I could see no logic in that. After all, they are for a specific undertaking to be a scholar, which we believe is crucial for the development of the economy and the society, so I cannot see any arguments for that.

Mr Mullarvey—The AVCC have certainly argued that, if the funds are donated to a university and the university offers the scholarship so that we do not have preferential treatment to maybe the son or daughter of the CEO of a company that is giving the money, then there is no reason they should be treated any differently from another scholarship offered by the university from university funds. We can see a distinction between those that may be offered by a large company to somebody and those that are offered by a university. They have been through the university process that ensures that the most eligible people receive access to those funds.

Senator STOTT DESPOJA—It is incredibly difficult, as we all know, to find out why students leave university or why they do not enrol in the first place. Does the AVCC generally or Professor Dean's university more specifically conduct any exit polling on students who drop out? Do you have any way of ascertaining what percentage of students drop out for financial reasons? Is that something that institutions are able to do or choose to do, whether it is Canberra or more generally?

Mr Mullarvey—Some universities do small studies in that area but the AVCC in conjunction with DEST is about to undertake a study on drop-outs. DEST has recently written to all universities asking those who wish to be involved in a study to look at that. I have not yet seen the final survey document so I do not know whether it is going to include financial reasons for students dropping out. The issue has come up as a result of the AVCC questioning the government's comments about the proportion of students who do not finish their qualification. We all know that some people enrol at university to do part of a course. They are satisfied that they have done part of the course and they leave. We are looking to do a study to find out the reasons people do not finish their degree. So I am sure that is one we can assure you will be covered.

Senator STOTT DESPOJA—So would you argue that the financial aspect should be part of that particular survey and will you be suggesting that?

Mr Mullarvey—We certainly argue that it should be. We are only one part of a committee set up by government to look at this.

Senator STOTT DESPOJA—I suspect we might be asking DEST that particular question this afternoon. I have to admit that I did not know about that proposed survey.

Mr Mullarvey—It was only a week ago that the letter went out asking which universities wished to be involved. There is a lot of work for the universities in this, and DEST is simply asking for volunteers at the moment.

Senator STOTT DESPOJA—I would love to think it is a coincidence that this committee has been going for at least three weeks and the government has just seen sense and thought, 'We'll answer those questions they have been asking.'

Mr Mullarvey—Or it could be that it is some other part of the government and we do not know!

Prof. Dean—Not only do some students drop out because they plan to do so—because they came in with the view that that was what they wanted to do—but also there is a benefit in most cases even for those students who do not have that view of it; they still get a lot of benefit from taking some units at a university. I do not think we should just assume that that is a deficit. I think it is almost certainly the case that financial factors are amongst the key ones for those people who are not doing it according to their own original plan. But it is very difficult for us to get reliable data. There are some limits on what we can demand, of course, in the way of information, and it is traditional that most surveys of this kind produce a modest response rate. So it is quite a difficult issue, but it would be very important to understand properly.

Senator STOTT DESPOJA—Thank you for that. They are both excellent points.

CHAIR—You do not think they will use the survey to ask questions about quality and use the outcomes as a bit of a whipping horse?

Prof. Dean—We already have at least three major surveys of quality every year, so I do not think there will really be anything new that they can ask. I am not in the least worried about that, I must admit.

Senator STOTT DESPOJA—I have a question I would like you to take on notice: what did the review of the Higher Education Equity Program achieve? Do you have any anecdotal or other evidence relating to the impact of the abolition of the Educational Textbook Subsidy Scheme, the ETSS? Are you aware of that having a financial impact on students or indeed causing a decline in book sales at your university or at universities in general?

Prof. Dean—I am very aware of that scheme having significant negative impacts locally and more broadly. It is something that both student associations and random groups of students referred to, particularly at the time of it. It is a serious disadvantage. It does, of course, coincide with a progressive change in the usage of the teaching and learning materials to more and more online materials and more and more delivery of a defined data set which the universities can generate and have control of. So there are some ameliorating factors, but those are ones which are also tending to limit the autonomous mode of study that I was trying to promote earlier in the conversation, and therefore they are a disadvantage. So I am strongly worried about it.

CHAIR—Thank you for your time this morning.

Proceedings suspended from 10.29 am to 11.40 am

ALLEN, Ms Rachel Lee, Treasurer, Australian National University Students Association

JEGANATHAN, Mr Max, Former President (2004), Australian National University Students Association

RAO, Ms Aparna, President, Australian National University Students Association

CHAIR—Welcome. The committee prefers all evidence to be given in public, but if you have something confidential that you want to tell us you need to make a request to us, and I am sure that we will be able to accommodate that. We have your submission before us, and for our records it is numbered No. 85. Before I invite you to make an opening statement, do you have any additions or corrections that you would like to make to that submission or do you have any supplementary evidence?

Ms Rao—Not specifically, except perhaps to point out that obviously, since we wrote that document, some of the figures on the thresholds and youth allowance and so on will have changed.

CHAIR—If you would like to make an opening statement, that would be a good way to start, and then Senator Stott Despoja and I will ask some questions.

Mr Jeganathan—I am going to give a very brief summary of our concerns and the themes behind them, and then Aparna and Rachel will elaborate very shortly by way of introduction. As a student organisation we essentially see higher education as an investment, an investment in the future of society and the future of the economy, if you want to think of it that way. Unfortunately, that investment can be compromised if certain aspects of it are taken away and parameters are changed. We see student income support as quite a crucial and important ingredient in that investment and in getting a good return on that investment. For students to get the most dynamic, engaging, involved and beneficial learning experience, they need to be financially supported. They need adequate financial support. We are not asking for students to get illegitimate and indefinite handouts; it needs to be rational and proportional to what their needs are. But there certainly needs to be an element of financial support and income support for students. We strongly feel that at the moment that is not happening. While the situation is not ridiculously dire as yet, as a student organisation we certainly see a trend, statistically, logically and anecdotally, where it is getting worse and worse, and there is an increasing disparity between the costs of higher education and the income support provided to students. That needs to be rectified as soon as possible.

Ms Allen—I want to briefly speak to some of the criteria that were provided. Firstly, we see the youth allowance and Austudy payments as grossly inadequate. Ideally, we would like to see these allowances constitute a living wage so that they cover the basics of rent, bills, food and transport. One of the main problems we see with the inadequacy of the payments is that more and more students are forced into work. We are not absolutely opposed to work. We do see the benefits of working as a student—work experience et cetera—but we have some problems when we see students jeopardising their studies and courses and being forced to prioritise paid employment.

We would like to see youth allowance and Austudy increased to reflect the current costs of living. The age of independence, being 25, is in some respects the most ridiculous aspect. It does not reflect the number of students under 25 who really are effectively independent of their parents. Ideally, we would like to see the age dropped to 18 so that it catches most tertiary students. However, we are proposing that it be lowered to 21—we see that as an acceptable age—as it was previously. We think the parental income test threshold is very low, especially for dual-income families. This raises huge problems in terms of a middle-class gap—those people who do not fulfil the threshold requirements but who cannot afford to support children living away from home either. Finally, on the Austudy recipients who cannot receive rent assistance: again, we think this is absolutely ridiculous, as those receiving Austudy are likely to be in a similar rental situation to those receiving youth allowance.

Ms Rao—The main reason we consider youth allowance arrangements and the other arrangements to be inadequate is that there has been a change in the last couple of generations of people going to university, particularly in that the cost of study has increasingly been passed to students. I say that because federal funding has decreased not only in terms of the percentage of HECS debts that the student might contribute and the percentage that the government contributes but also in that textbooks are increasingly more costly, depending on what subjects are being studied. Added to that are transport costs, parking permits and parking fees that build up every day, the cost of stationery and things like field trips that students have to account for. Youth allowance might take into account basic living needs, but, for students who have to attend university and study as well, we think that there are extra costs that need to be taken into account and we would support an increase in youth allowance for that reason.

We can see that, if we do not do that, education will become harder to access for more people. Already, 80 per cent of students at the ANU work at least part time in order to meet the costs that they have to meet, even though they are on youth allowance. Students tend to choose employment over study when they have to make a choice, so they miss lectures or tutorials, or even postpone assessment work that is due in, in order to work so that they can pay those costs. Given that they are there with education as the main priority, I think that that is something that needs to be addressed; otherwise, we jeopardise the quality of education they are receiving. We might leave it there for now and take questions.

Senator STOTT DESPOJA—Thank you for your opening statements and for producing the only submission with a cartoon. You will note today that there is no government member present at this hearing, but that does not mean we will not be passing on this evidence in our report and making it very clear. I will start with the issue of textbooks. Mr Jeganathan, you and I have discussed the ETSS and its abolition previously, when we were trying desperately to save it. Do you or your current office holders have any anecdotal or researched—statistical—evidence to show the impact of the abolition of the textbook subsidy scheme on student finances or student expenditure?

Mr Jeganathan—Obviously the abolition of that scheme without any proportionate compensation from anywhere else in the whole process severely affected students. All the evidence I have is anecdotal, admittedly—I do not have any statistics on it—but I did talk to several students after it was abolished last year. I went and hung around the bookshop at the beginning of the next semester and the next term when people were buying textbooks and there was a marked increase. When you are paying upwards of between \$100 and \$200 for a

textbook—as, for example, a law student does, in most cases—eight per cent adds up. When we are talking about students who are already balancing their costs with their revenue so finely at the moment—when they are struggling to make ends meet already—that sort of increase really hits them hard. To us, the abolition of that scheme signified the increasing circumstances, as Aparna mentioned, in which costs are being passed on to students. Students have to foot the bill for more aspects of their education. The textbook subsidy is just one example of many of those, but it is a perfect example. We do not necessarily have a problem with cost shifting onto students, but there needs to be a proportional or commensurate increase in income support to counter that. With the supply-and-demand thing, some sort of equilibrium needs to be involved. Students cannot be paying more and receiving less. It just does not work out when they are trying to balance their accounts. If the textbook subsidy scheme is neither replaced nor compensated for, or there is not a proportionate increase in student income support to reflect that, it will mean another increased expense for students to deal with.

Senator STOTT DESPOJA—The only evidence that I think we can use is that which will be provided by university bookshops. I heard of a 20 per cent decline in textbook purchases at one institution. We might ask the ANU Co-op Bookshop the specific question, but do your colleagues have more to add on that issue?

Ms Allen—I was living on campus last year when the scheme was abolished. Before the abolition of the scheme, a number of students around my hall were in quite a fluster and were racing down to the Co-op Bookshop to make sure they bought their texts before the next semester. So they were definitely very aware of the increased costs relating to textbooks, and that resulted in their buying textbooks before they were even confirmed as the texts for the subjects they were taking.

Ms Rao—I will give you an indication of how important that eight per cent might be. It might sound like a small amount, even when you apply it to a \$140 or a \$150 textbook. We offer emergency loans at our association—for example, of \$50—and they are quite popular. Students need that \$50 amount in order to last for the rest of the week—so they can pay their rent and buy something to eat. So it does make a difference.

Senator STOTT DESPOJA—Do you have a figure on the number of loans that you have provided in this semester?

Ms Rao—No, I do not. But we can provide that.

Senator STOTT DESPOJA—That would be quite informative for the committee.

Mr Jeganathan—The other thing with those loans is that there are other reasons for those loans being offered. I used to sit on the committee that disseminated those loans, and after the scheme was abolished textbooks popped up a lot more as reasons for the loans.

Senator STOTT DESPOJA—That is interesting.

Mr Jeganathan—The other thing to add to that—and this is quite sad to say, but it does raise a huge concern and is an indication of the problems that we are talking about today—is that textbooks were already becoming, and became more so after the scheme was abolished, more of

a luxury item for students, as opposed to a necessity to study. So students start with an attitude that textbooks are completely optional, and they are deprioritised right down the list and only bought when the students can afford to buy them. That just goes to show how that can affect an education.

Senator STOTT DESPOJA—I think you will find the previous evidence from the vice-chancellors also indicated that textbooks are becoming a low priority. One thing that we have seen through the submissions is that students are making up for that in different ways, whether it is through online information or where the universities are trying to provide students with the relevant texts or chapters through photocopying and summations. But of course as students you have to pay for that, and that leads to the question of ancillary fees. Do you have any evidence for the committee as to either increases in ancillary fees or whether ancillary fees are a problem at your institution? Do you find that students are paying for everything from lab coats to field trips, as well as books and course readers?

Ms Rao—I think it is quite clear that they are paying for those things. A good example with the idea of putting chapters online for use rather than having to buy the textbook is that, if they are large sections and you want to use them, in many cases you still have to print them off, and printing costs money. At our university we have just implemented a pay printing system which, regardless of its merits, if you print off a chapter you pay a certain amount for the pages that you are printing. Students do have to pay for field trips most of the time. Depending on what area they are in, we can sometimes provide a grant to subsidise some of that. But that does not apply for all students, and we do not have enough funds to cover all of that.

Mr Jeganathan—I guess the bottom line with the ancillary fees issue is that there is a very large composition of extra costs and extra fees for students that the current levels of student income support do not address or account for. They range from increased supplementary materials to lab coats. A lot of art students came to me last year and they have a lot of additional equipment costs—for example, for brushes and easels. They are very rarely included in the course costs. Music students have their instruments, and maintenance for those often costs quite a lot. These are all costs that are necessary for what the student is doing, but it is very important to note that they are not taken into account in setting student income support—in youth allowance, rent assistance or Austudy. There is a plethora of those.

Senator STOTT DESPOJA—I note the table that you provided for the committee of living costs per fortnight, and I suspect even in the time since the submissions were first invited from the committee and the committee's hearings that there are probably a few additional increases to those costs. But they are remarkably close to the Student Financial Advisers Network prediction. They estimate that living costs for students are around \$250 per week. I see you have \$520 per fortnight. Obviously, that is not covered by current income support arrangements. In relation to accommodation in particular, I have seen a lot of media reports about the difficulty in accessing student housing in Canberra. Do you think that the lack of rent assistance for Austudy recipients adds to that? Is that an issue that you find is a problem?

Ms Allen—Absolutely. I have just finished house hunting, so I am well aware of the difficulties in finding affordable accommodation in the Canberra rental market. One of our main points about Austudy recipients is that it is incredibly unlikely that they are in much of a different situation to those on youth allowance. They are still in the same rental market. We

really did not do this out quite a bit and could not fathom why those receiving Austudy were not also eligible for rent assistance, given how similar their situation is to that of students receiving youth allowance.

Senator STOTT DESPOJA—We will be asking the department today. You think you cannot fathom it; we cannot either. Hopefully we will have an answer for you today. Regarding the costs, you have rent estimated at around \$220 a fortnight. Would that be the average that you are aware of? We heard evidence this morning from the vice-chancellor of UC that Canberra endeavours to provide affordable housing for students at between \$100 and \$190. Is that per week?

Mr Jeganathan—I think it is per week.

Ms Rao—I think that \$220 per fortnight is a reasonably low estimate. I would have put it a bit higher. I guess part of the problem is that Canberra does have an accommodation shortage, and we are trying to address that through the universities building more accommodation, but that takes time. If there is not that much of a range then you do not have choice about whether you pay more or less for rent, and that forces students into extra work when they are having to study.

Mr Jeganathan—I think our estimate of \$220 is certainly on the conservative side, particularly now. The ANU accommodates over 20 per cent of its students, which is the highest proportion of any university in the country. We also boast that it is the most affordable, and our study showed that it actually is. Having said that, accommodation at our cheapest college at the moment is still \$125 a week, so it is obviously a conservative estimate. I am sure that anyone living in Canberra knows about the accommodation issue with students here, and I am sure it is the same around the country, but accommodation demand in tertiary education is cyclic at an increasing rate, so it goes up but it goes up cyclically. Because of that, it is difficult for universities to macromanage their accommodation. That is not an issue for this committee, but it does mean that students have to go into the private rental market. Therefore, I think there is a moral, economic and logical case for students to be sufficiently equipped to compete and adequately sustain themselves in that private market. Universities are never going to be able to accommodate everyone. Currently, private rental market rates are increasing at a rate that, again, is disproportionate to the rates at which student income support is increasing. Again, we see an increasing disparity.

Ms Allen—I have some anecdotal evidence that might help. In our positions we talk to a lot of students every day. We are finding that a lot of students tend to be moving further out of the city and further away from their university to where accommodation is cheaper, but of course then you run into problems with increasing transport costs. I think that is a serious issue that is linked to the costs of accommodation.

Ms Rao—And it is not just transport costs but time as well. With the public transport system in Canberra, which is not that crash hot, the further out you live, the longer it takes to travel to and from university, particularly going home late at night. I know a lot of students leave the libraries at 10 or 11 at night and travel home by two or three buses to the outer reaches of Canberra. That is not something we would like to encourage. We prefer that they could stay closer to the university, given that they are university students.

Senator STOTT DESPOJA—Ms Rao, in your comments earlier you were talking about the fact that, in order to make up these living expenses, students are working more and more. We heard some rather startling evidence at our last hearing, in Adelaide, and I guess generally we have heard evidence that students are increasingly working more because they have to. So their studies get second priority, if that, and increasingly students are in the black economy. It makes sense: you go into hospitality and other areas where you receive cash-in-hand payment.

We also heard from the three South Australian universities that presented to our last hearing that, at some institutions, students are being targeted by medical companies. You may or may not have seen the advertisements on campus that ask students to be the subject of various tests or experiments, such as sleep deprivation or trying new pharmaceutical products. Have you noticed that there are advertisements on campus for students to be involved in those experiments?

Mr Jeganathan—Yes. This was raised a couple of times last year by me in a couple of different meetings but unfortunately, given policy and rules and things like that, we could not actually do anything on the ground. But I know for a fact that if you were to go to the ANU sports and rec centre and the gymnasium today you would see several A4 flyers up on the walls—there are a couple of sleep deprivation ones, a couple of experimental dietary ones and a couple that ask if you have smoked marijuana in the last three months or something like that. There are all sorts of weird and wonderful advertisements for medically related experiments for students to make a quick buck, for cash in hand—it is made quite obvious. They are all over the campus and I am sure they are all over campuses all over the country. We have to ask ourselves what the purpose of higher education is and in what kind of conditions we want students to be undertaking their higher education, if this is what it is coming to for students to make money to support themselves.

Senator STOTT DESPOJA—You mentioned meetings. Does that mean you have drawn this to the attention of the university administration or particular faculty reps or deans?

Mr Jeganathan—I raised it in discussions in a couple of individual meetings with university administrators and I checked through rules and guidelines and things like that. But it is put forward as a legitimate casual job. They say it is experimental, that you do it at your own risk and that they brief you on it sufficiently before you get into it and stuff like that. So in terms of the legal ramifications we did not have far to go. But it is the effect of what it actually is and why they would come to universities as opposed to going to other places that really sets off the alarm bells in my mind about it being a big problem.

Senator STOTT DESPOJA—That was the issue that was raised in the last hearing. It was not so much the advertising for people to take up these tests or positions but the fact that there was a report that increasingly university students were being targeted because they were an obvious market, if you like, because of the financial difficulties some of them were facing. So you would attest to the fact that there has been an increase in these advertisements at your institutions?

Mr Jeganathan—I certainly would. From the beginning of last year until the end of last year, when I had my finger on all this sort of stuff, I certainly noticed an increase.

Senator STOTT DESPOJA—In the previous evidence to us today, Professor Dean from the University of Canberra was talking about an alternative provision of student income support, one that was modelled along the same lines as HECS, so it would be income contingent and with a deferred payment mechanism. I do not want to misrepresent him so I am happy for you to look at the *Hansard*, but he suggested that this was a favoured method for students, that students he had spoken to would prefer or would be happy to have a kind of income contingent, loan style scheme as opposed to student income support measures if it was not going to be increased or the thresholds decreased. Is that something you think students would prefer or would they opt for it simply because, if that were the only option, they need—

Ms Rao—Are you talking about increasing, say, the current youth allowance a little bit more and having that as a loan?

Senator STOTT DESPOJA—Not necessarily on top of current income support arrangements; possibly instead of or in addition to. Again I do not want to misrepresent his evidence, because he was talking about other options that could be provided as well, but I think there was, as an alternative, the notion of an income contingent loans scheme, which you do see operating anyway.

Mr Jeganathan—HECS style?

Senator STOTT DESPOJA—Yes, a HECS style, FEE-HELP type arrangement.

Ms Rao—Would that have interest?

Senator STOTT DESPOJA—Essentially.

Ms Rao—But it would not be incurring interest if it were HECS style.

Senator STOTT DESPOJA—No, not at commercial interest rates, I would not think. Again, we did not go into the detail. But, yes, if it were like HECS it would be nominal interest—that is, as the government says, interest free, but still with CPI, presumably.

Ms Allen—I think that a lot of students who would be receiving that loan now would see it as a good thing, because they could say, ‘Excellent; I’ve got some extra money in my pocket now.’ But I do not think the student association could support a system that places students in a position that puts them further and further into debt, as we are seeing that HECS and the HECS increases do. Personally, as a student I would be opposed to such a scheme.

Senator STOTT DESPOJA—I do not think he anticipated that student representative groups would necessarily endorse or support it; I was just curious to see if there was any support.

Ms Rao—I would have thought that students would prefer to have the current system where they get the money—that is, they are entitled to income support rather than a loan that will add to everything else they have. On our campus the banks, for example, view the idea of providing a loan to this vulnerable market very positively because they can provide a loan and start charging interest from that point, even though you are not going to pay it back until you start earning money, which may be four, five or six years later. I would expect that most students

would be opposed to the idea of a carrot being offered to them that actually plunges them deeper into debt. They would prefer income support that comes directly rather than as a loan.

Mr Jeganathan—I certainly agree with what has just been said and probably in a stronger way. It completely counteracts the entire issue we raised in our submission and through our concerns. Government support for and commitment to higher education through student income support is currently not sufficient. A scheme like that essentially withdraws government support entirely rather than improves it. It is saying: ‘We will support you but we will support you with your own money.’ The HECS debate is irrelevant to this case, as to whether low-interest income contingent loans are equitable and whether they are good in the short and long term. Increasing the debt liability of students and fully decreasing government support is absolutely ridiculous. I would not support it at all. I do not see how any student organisation or student representative in their right mind would support any sort of scheme in which government support for, commitment to and funding of students was reduced, and in turn students’ debt was increased—completely at their own expense and their own liability.

Senator STOTT DESPOJA—To be fair to our previous witness, he may have been throwing in the idea as being in addition to current income support arrangements. Perhaps it was just another idea to throw into the mix. I have another issue, which I am happy to take on notice. The Student Financial Support Scheme was, as you know, axed last year. I would be curious to know whether there are any students on your campus or of whom you know who have been financially penalised as a consequence of the abolition of that scheme. If my colleagues are keen to ask questions you can take that on notice.

CHAIR—I think you have asked most of my questions.

Ms Rao—The idea of a loan in itself is not something that we support generally. The SFSS was not necessarily the best sort of scheme that could have been in place. Personally, I am quite happy that it is not there. But what is lacking is some other form of support—increasing youth allowance, Austudy and Abstudy to account for that. That is the simple answer.

Senator STOTT DESPOJA—It would have been nice if we could have protected the students who were on it.

Ms Rao—The removal of a scheme, however bad it is and whatever flaws it might have, that targets a particular gap in student living costs needs to be substituted with something else if it is going to be removed. That did not happen, and that is a problem.

CHAIR—Mr Jeganathan, do you have an economics background?

Mr Jeganathan—No. As a student representative I often have arguments that I like to base on morality and principles. The other side does not necessarily know how to think on those levels, so I have learnt to mould my arguments with economics.

CHAIR—One of the things you said in your opening statement has perhaps not been considered in this debate. You talked about student income support in terms of the return on investment, which is a slant we have not heard before. I assume you mean that it is so inadequate that you do not get a good return for the government’s investment in this situation.

Mr Jeganathan—The reality of the society we live in means we have to think of things in economic terms and justify them in terms of what they are getting for something else. This is true of this government, in particular, in some respects. I do not have a problem logically or morally thinking of higher education as an investment. That is a positive thing. I think the government should think of its education system—primary, secondary and tertiary—as an investment in its citizens and in society economically, culturally and socially. Education, full stop, is an investment. It is an investment that the government and society make in their people.

The education that students gain should be beneficial, dynamic, engaging and really positive and vibrant for society. It should not be considered a cost and a burden that governments are trying to shrug off or minimise their liability over—‘Let’s just get these students through this in the most cost-efficient way that we can.’ It is not about cost-efficiency; it is about making a real commitment financially and morally to a group of people that are very important to the future of the country in all respects. I think that is what has been forgotten.

CHAIR—That is the very point of this argument, isn’t it? The evidence we have heard in Melbourne and Adelaide is that it is not cost efficient now. This morning the Australian Vice-Chancellors Committee told us that a first-year student would be expected to undertake at least 40 hours a week in either attendance at lectures or study, but they are having to work 20 hours a week in order to keep themselves—just to survive while they are trying to undertake that 40 hours. Nobody should be expected to work more than 60 hours a week. Students’ studies must suffer. Have you seen evidence of that?

Ms Rao—Definitely.

CHAIR—In what way?

Ms Rao—It is here, for a start. We have all certainly had to work and we have had to miss lectures. You can spend less time on your study. A lot of the lecturers do their time calculations on the basis that the number of contact hours you have should be doubled so that you spend the same number of hours studying outside of your classes. Very few students I know actually manage to do that, because they have other things that they have to do with their time. That mainly includes work.

Mr Jeganathan—In terms of statistics, there was an Australian Vice-Chancellors Committee report or article from the year 2000, I think it was—

CHAIR—*Paying their way.*

Mr Jeganathan—*Paying their way*—that is right. It said something like 70 per cent of students are working. I do not think that in itself is a bad thing—a lot of that could be positive work, as Rachel said before—but I think that same article said that 103,000 students surveyed said that at some stage they had missed a class or a lecture as a result of that work. As far as I am concerned, in a country like Australia—we are a prosperous democracy—we should be able to support our students to the extent that their education is not getting compromised for financial reasons. The ANU reflects all of these statistics. The last two surveys we have done say over 80 per cent of our students are working. To the follow-up question to that, asking whether any of

those students had at any stage missed a class or a lecture as a result of working, people answered yes. I would say that a lot of that would be continuing and ongoing.

CHAIR—How do you balance that with this government's philosophy that they will provide you with as minimal support as possible and then you have to improve yourself or make the most out of the opportunity? There is a definite philosophical view: 'We are not going to hand you this on a platter. If you want to study, there has got to be a bit of give and take.' I am not saying I agree with that. How do we shift to prove to this government that the current system is not actually providing the good return on investment that there ought to be?

Mr Jeganathan—I completely understand, and to a large extent subscribe to, that view. Students are not looking for handouts. Student organisations are not looking—as much as some people might deny this—for a free ride. They are not looking for a handout. They are not looking for an easy run. We do not want to live like kings while we are at university. What students do need is sufficient support and supportive conditions while we are in university—financially supportive conditions, not the ability to be completely sole standing.

Students are remarkable people. That is one thing I learnt while I was president. Students have resilience and perseverance and they can do amazing things if the government believes in them and if they are given the right levels of support and the right conditions and parameters. As we said earlier, it has not gotten to a stage where we are really at the bottom of the well in terms of our system, but we are certainly moving that way. Regardless of how students might be managing at the moment—and we might be getting by and people might be getting passes and getting to their exams and getting through and getting their degrees and, sure, the university system is still churning out amazingly gifted professional people—I think, if you want to get economic about it again, the return and the quality of that return and the quality of the experience that these people are getting are still being compromised. And I think that issues with student income support are a large cause of those things being compromised.

I think that, if the level of student income support, the infrastructure of it and the systems involved with it were improved, there would be no question—from my experience with students and as a student—that the experience of students collectively in the Australian higher education system would be improved. People would be better prepared. They would be better engaged with their studies. They would be more motivated. They would be more successful because they would have received that level of support. I do understand that there is a balance: students should not get a free ride; no-one should get a free ride. Students are willing to play their part as well, but at the moment that balance is way below what it should be.

CHAIR—So you would put to us that the level of student income support is inadequate and that there are inequities and problems in the way in which it is assessed—that those need to be reviewed?

Mr Jeganathan—Yes.

CHAIR—Have you perhaps had any experience with Indigenous students at the ANU and the use of Abstudy? What impact have you seen on Indigenous students since Abstudy was changed in 2000? Have you had any feedback from students about that?

Mr Jeganathan—It is a bit difficult for us at the ANU to comment with any sort of highly significant authority because our Indigenous student population is not as large as it is in other universities. But we do have Indigenous students, we have Indigenous student programs and we have an Indigenous student centre called the Jabal Centre, which does get students coming through. The big problem that I see—and it is a bit more contextual than being hands-on relevant at the moment—is the following one. In the studies that I did last year, I noted that it is more about the perception that Indigenous students have of university, Abstudy levels and the support that they get that turns them off higher education. I read several articles, journals and things last year from which we found—and this is actually in our submission—that a university is perceived by many Indigenous communities as something that is not really accessible to them. That perception of access is not there. They do not consider university as something that they can do. That is something that is a bit outside of their comfort zone and their ballpark. A large part of that is financial. A lot of them do not understand the HECS system. They do not understand that there is any support. What they do understand of Abstudy and higher education as concepts is that they are not really for them. I think that because of that there is an inequity issue there with that perception that is caused by inadequate Abstudy levels.

Ms Allen—As Max said, we do have a quite small Indigenous population at the ANU. I think that is indicative of the inadequate levels of Abstudy payments. Even if they do perceive higher education as something that is quite accessible, there are significant costs as to possible relocation, such as moving to Canberra to study. I really do not think the Abstudy payments cover those kinds of costs of moving.

CHAIR—Before we finish, is there something that you want to say as a final comment to us?

Ms Rao—I think we have managed to get across the main point, which is very clearly in our submission as well, that we consider the payments to be inadequate. As well, the questions that you have asked have pointed towards the other costs—like those of textbooks, relocation, transport and accommodation—that make it much more difficult for students to focus completely on their education. While I accept to some extent the government's philosophy that if they provide us with a minimum standard we will do the rest of the work and whatever we can to make the best of that higher education, I think that minimum standard is not really there and that their assessment of that minimum standard is flawed. They think that students can exist on a minimum standard on the financial allowance, or whatever you might call it, for which the maximum is about \$340 under Youth Allowance. That is clearly not going to correlate with the figures that we have got or other figures that you have seen. So even if we subscribe to that philosophy, we need to raise the minimum standard so that it is practically reflective of what students have to do and go through.

I cannot put it better than Max did in terms of how we need to invest in our higher education. It is not a commercial enterprise for universities to pump students in and out, trying to put out their degrees as a passport to the work force for every student. It is about people having the ability to explore their knowledge and gain some wisdom from the things that they are doing at university. I do not think everyone has that opportunity or the time to spend there. They do sometimes look upon university as a corollary to the work that they do, because the work becomes the all-consuming thing that they have to do. So we need to change the focus from the commercial aspect back to the pursuit of knowledge and education.

CHAIR—Thank you for your submission and for taking the time to appear before the committee today. We appreciate that.

[11.23 am]

CHAPMAN, Ms Jillian, Welfare Rights Advocate, Illawarra Legal Centre, National Welfare Rights Network

COAD, Ms Melissa, Education Officer and Caseworker, National Welfare Rights Network

CHAIR—I welcome our next witnesses, from the National Welfare Rights Network. The committee prefers all evidence to be given in public, but of course if at any time you need to give all or part of your evidence in confidence we can facilitate that. Our committee has your submission before us and we have numbered it No. 134 for our records. Before I invite you to make a brief opening statement, do you have any additional material or any changes to your submission?

Ms Coad—No.

CHAIR—All right. If you want to start with your statement and then we will go to questions.

Ms Coad—I wanted to thank the committee for providing us with the opportunity to talk to you today. As we have mentioned, we are here on behalf of the National Welfare Rights Network, a national network of welfare rights centres and services that specialise in social security law and policy. We want to point out that today we are going to be focusing our evidence mainly on section (a) of the terms of reference of the inquiry, to do with structural issues around income support, rather than going into too much detail about the impact that that has on young people or students and their families, because our area of expertise is in those structural income support issues.

The submission that we provided was undertaken for a broader purpose, so I thought in the opening statement I would highlight four key points from the report, as they relate specifically to income support for students. Then, if I might, I want to add briefly some issues for students arising out of the budget earlier this week. The first point I will go to is the adequacy of youth allowance, which I am sure you have heard a lot about in your hearings. Our submission is no different, in that we also point to the inadequacy of those payments. Depending on people's circumstances—whether they are dependent or independent, whether they are on youth allowance or Austudy—the rates of payment can be up to 50 per cent below the Henderson poverty line. This is compared to pension payments, which range from 10 per cent for a single person to 33 per cent for a member of a couple above the Henderson poverty line. So, even in comparison to other income support payments, we can see that the payments for students are substantially lower.

The inadequacy of the payments is compounded by a number of structural issues. Probably one of the biggest structural issues is the manner in which youth allowance and Austudy are indexed. The youth allowance and Austudy are indexed significantly less favourably than other social security payments. For a starting point, they are only indexed once a year, whereas other payments are indexed twice a year. They are only indexed by CPI, whereas pensions, in particular, are indexed by the higher of either CPI or male total average weekly earnings. Over

the last few years it has certainly been male total average weekly earnings that are higher, so pensions have been increased by those. Just to highlight what occurs, this difference in indexation is such that since 1998 the biggest increase to the highest rate of youth allowance has been \$61 per fortnight, compared with a \$116 a fortnight increase in pensions.

In the report, we anticipated what would happen into the future if CPI and male total average weekly earnings kept going as they basically have over the past few years. From that, we could see that, as of September last year, a single person receiving a pension was getting \$145 more a fortnight than the maximum rate of youth allowance. If things continue as they are, by September 2010 that will have increased to \$243 more a fortnight than for those people receiving youth allowance. One of the other problems with this indexation is that, by July this year, the lower rate of pension for couples will actually be higher than the single newstart rate, and it is already higher than the maximum single rate of youth allowance. But single people, who traditionally have a higher rate of payment, will from the middle of this year be under the couple rate of pension payments.

I will move onto the parental income test. The parental income test is another issue that drastically reduces the adequacy of youth allowance payments. The income test threshold is woefully low. Currently, any parental income above \$28,850 for dependent young people reduces their entitlement to youth allowance. At the moment, this is \$4,000 less than the threshold at which family tax benefit starts to reduce. Given the announcement in the budget earlier this week, from July next year that will be some \$8,000 less than the threshold at which family tax benefit starts to reduce, so it is an incredible anomaly. The result of the change in parental income test from the higher family tax benefit one to the lower youth allowance one is that, if a family have a child, when they turn 16 and become entitled to youth allowance the rate of income that that family is then entitled to dramatically drops. For example, if you have a person earning an income from about \$30,000 to \$37,000, they could lose up to about \$70 a fortnight in the rate of payment when their child turns 16. So it is quite significant.

The parental income test also acts as a disincentive for young people who would choose to move away from home to study. Even though the away-from-home rate of youth allowance is a higher rate, it is still dependent on the parental income, so it stops people from being able to choose to move from their parents' home to take up study options.

I will move on to the age of independence. There are some quite limited grounds that allow a person to be treated as an independent young person under Youth Allowance and therefore for their parents' income not to be taken into consideration. The independent rate is attainable through some limited work history grounds—if people have a work history since finishing school—or if they are unable to live at home because of violence or other extreme circumstances or if they have an dependent child. So there are fairly restrictive categories in which people can be considered to be independent, otherwise they will be considered to be dependent until the age of 25 if they are students. This higher age assumes not only that parents can afford to support older students but that they are willing to do so, and obviously many parents might not be willing to do that.

The interaction between the higher age of independence and the low threshold of parental income testing also means that a lot of students can end up with youth allowance debts if they do not notify Centrelink of any changes to their parents' income, which they may not have access to

or knowledge of. This is particularly the case for younger students where the youth allowance is paid directly to the parents and not to them, yet the young people end up with the debts. So we would certainly recommend that the age of independence be lowered at least to 21, but ideally to 18, to counteract some of those difficulties.

The final point that I want to draw from the report is in relation to the lack of rent assistance available to Austudy recipients. It makes absolutely no sense. We can see absolutely no reason why people who choose to return to study should be denied rent assistance. Perhaps the rationale is to discourage older people from making the choice to go back to study, but, when we are looking at Australia facing a skills shortage and increased costs with an ageing population, discouraging people from returning to study and improving their qualifications seems to be a counterproductive measure. Certainly, in our experience, the lack of availability of rent assistance with Austudy significantly reduces people's opportunities to return to study once they are over the age of 25. For example, if someone has been on a disability pension and decides that they can return to full-time study, they will lose about \$150 in their rate of payment and, on top of that, they will lose any availability of rent assistance and various other concessions that come with that. That is a real disincentive for people trying to return to study to get themselves back into the employment market.

One of the other difficulties with rent assistance that regularly applies to students is the lower rate of what is called sharer rent assistance. For people sharing a household, the rationale is that they have certain economies of scale that people in a single household do not have so their rate of rent assistance is reduced. Obviously this affects students if they are sharing accommodation to try and reduce the impact of high rents, but then they are left open to lower rates of rent assistance. Again, we do not see any reason why people sharing accommodation should necessarily have a lower rate of rent assistance.

Finally, I briefly want to raise some concerns following on from the budget announcements earlier this week. While a lot of this is being related to Youth Allowance and Austudy, it is important to recognise that there are people on other types of income support payments who are also students. For example, there are lots of people on parenting payments—single parents or partnered parents—who undertake study and there are people on disability support pensions who undertake part-time study in attempts to return to work. The announcement in the budget about moving groups of people who were previously entitled to the disability support pension and the parenting payment to what has been called the 'enhanced Newstart' will limit those people's options to study in a number of ways. Firstly, they will lose any access to the pensioner education supplement, which is a supplementary payment paid to pensioners to help them meet the costs of study. Also, the activities that will be required of people on the enhanced Newstart seem to be very much employment focused, so we are concerned that there will be little scope to allow people to access part-time study as part of any agreements under that new scheme. Obviously we do not know the details of that yet, but certainly at this stage it looks to be very employment and work force focused, which does not leave much space for people to take up study options.

CHAIR—Ms Chapman, would you like to add anything to that?

Ms Chapman—I will just touch on one thing with regard to the parental income tests, and that is that students coming from a rural background are certainly disadvantaged if they cannot move to the city and study.

CHAIR—Is that because they may well be asset rich but income poor, thus making the assessment unfair?

Ms Chapman—Possibly, yes; but also if their parents do not have any assets or are on a low income or are on support themselves, a student from a rural area moving away from home to study would certainly be disadvantaged.

Ms Coad—There are also problems with those who fit that asset-rich example. Because of the incredibly complicated family actual means test, people who might be, as you say, asset rich do have the youth allowance entitlement cut out.

CHAIR—Ms Coad, I refer to some of the comments you made about the impact of the budget. You said earlier that anyone on a disability support pension who chose to go back to full-time study would be severely disadvantaged.

Ms Coad—Yes. That is because if they were able to undertake full-time study they would no longer be eligible for the disability support pension. I should have made that clear.

CHAIR—They would have to go on to youth allowance or Austudy?

Ms Coad—Exactly.

CHAIR—If they were on the DSP and getting rental assistance and they moved Austudy, they would not get the rental assistance.

Ms Coad—That is right.

CHAIR—You anticipate that some people could be worse off by up to more than \$70 a week. Is that right?

Ms Coad—If they wanted to go back to study. I suspect, though, that a lot of people probably choose not to because of that huge financial disincentive.

CHAIR—That is right.

Ms Coad—There are probably a lot of people who want to undertake full-time study but would not even contemplate it because of that loss of income.

CHAIR—The covering page of your submission says:

Income support for low income families and young people in Australia is inadequate, riddled with inconsistencies, disincentives and unfairness.

What are some of the inconsistencies? ‘Riddled with inconsistencies’ is a fairly strong criticism.

Ms Chapman—Rent assistance would be one.

Ms Coad—As Jillian just mentioned, one of them would be the lack of rent assistance for Austudy recipients. Another one that we do talk about in our submission relates to a family as a unit that contains a young person who is a student. When the youngest child of the family turns 16, because of the different types of payments that people in that family would then be transferred to, there is a drastic loss of income for that family as a whole at that point. That seems quite anomalous, given that I doubt that a 16-year-old is necessarily substantially cheaper to keep than a 15-year-old. That is another fairly big inconsistency. With the changes to parenting payment announced in the budget, that impact will happen a lot earlier—when the youngest child turns six.

CHAIR—Will that be greater than currently exists?

Ms Coad—It could be. It is hard to know without having a lot of the details of what is being proposed by the government, but there is certainly potential.

CHAIR—Do you have many students coming through your centre? I guess your submission is based on your day-to-day experience in dealing with students.

Ms Chapman—We certainly get students ringing up saying: ‘We’re on Austudy. Why don’t we get rent assistance? What can you do about that?’

CHAIR—Do you get many students who ring to see if they can get a loan or extra money to get them through to the end of the week because the payments are inadequate?

Ms Chapman—They ask about the \$500 loan that they can get from Centrelink and they want to know more about the repayments. The repayments amount is another inconsistency.

Ms Coad—We also see a lot of students who have accrued Centrelink debts if, for example, they drop from full time to part time and do not notify Centrelink. Generally, it is because people are unaware that there is a need to notify Centrelink. Their understanding is that they are still students and they are still entitled to the payment. We see quite a lot of people who have accrued those debts. The effect of a lot of those debts is that it leaves young people without any income for the period of that debt, because the whole amount of what they have received in youth allowance has been raised as a debt when they would have remained entitled to that payment as a part-time student had they notified Centrelink and a different agreement had been reached between them and Centrelink.

Ms Chapman—We have had problems at Wollongong University, where students have gone to the administration staff to change their study load thinking that they do not have to notify anyone else—not knowing that they need to do that one step more and notify Centrelink—because the people at the front desk have said, ‘That’s all you need to do.’ They have wrongly advised students.

Ms Coad—The debts are of great concern to us, because any Centrelink debts over \$5,000 are referred to the DPP for consideration of criminal prosecution, and there is incredibly inadequate representation for people being charged with social security criminal offences. We have had a number of students who are about to enter professions in which they will not be able to practise if they do get a criminal record.

CHAIR—Are students able to negotiate repayment options quite easily with Centrelink? How do you find the dealings with Centrelink?

Ms Chapman—I guess it depends which Centrelink office they are dealing with.

Ms Coad—It does vary greatly. Centrelink have recently changed their debt recovery practices, and people are reporting to us that it is easier now to negotiate an amount that they can afford with Centrelink. Previously people were having huge difficulties in getting Centrelink to agree to anything less than a standard rate of recovery for a debt.

Senator STOTT DESPOJA—A number of my questions have been pre-empted in your verbal submission, Ms Coad. I have to note, just as an aside, a dog's breakfast—I seem to recall a campaign: 'You can't feed a dog on Austudy.' I am wondering if that provided any inspiration.

Ms Coad—I do not think it did, actually.

Senator STOTT DESPOJA—Could I ask about the parental income test to begin with. You note in your submission that the parental income test for dependent young people is too low, and that it is \$4,000 lower than the threshold for the family tax benefit. Were there any changes in the budget to rectify or assist with this particular anomaly?

Ms Coad—No, and in fact it made it worse, because the income threshold for family tax benefit is to be increased from July next year to \$37,500, which is about \$8,000 higher than that for the youth allowance. So it makes the situation worse.

Senator STOTT DESPOJA—Were there any measures in the budget—you have outlined some of them and the impacts that they will have—that are positive for students in relation to income support?

Ms Coad—The only thing we could find that relates to students is that the income taper rate has slightly reduced. There is an income-free threshold of \$236 per fortnight, and then there is another threshold of \$316. If you earn over \$236, you start reducing your rate of youth allowance; if you earn over \$316 it reduces to 60c in the dollar—previously it was 70c. That is the only change that benefits students in any way, and it is obviously not a huge benefit.

Senator STOTT DESPOJA—It has taken a long time to get even those better taper rates introduced. In response to Senator Crossin's question you mentioned Centrelink. The criticisms of Centrelink throughout the submissions have been widespread. Could you suggest any changes to either the structure of Centrelink or how they operate with students that would improve it? I take on board your comments in relation to criminal prosecutions. Are there other general assessments or recommendations you would make about how they could change?

Ms Chapman—One thing that I would recommend is getting information out to students to educate them about the right to appeal against a decision. I would let students know that it is easy and free to appeal, and there are various levels of appeal. Often students come to us and they are, I guess, scared of the government body and they are not aware of their rights.

Senator STOTT DESPOJA—How should they be doing that? Are you suggesting that there is more information that they could give students in pamphlet form?

Ms Chapman—That would be a good start—also media campaigns, especially around the HECS cut-off period. We often find that if students have changed their study load they will get a debt and they are not aware that they can appeal against that decision. So if there was something going out with the HECS letters that would be helpful, because the students look at the HECS letters. If there is something there about Centrelink and the right to appeal, that might be helpful.

Ms Coad—Another suggestion because of the problem that students encounter when they drop their study load and are no longer eligible for the payments as full-time students would be to make students a lot more aware of that. I think the government has done a very good job of portraying youth allowance as a generic payment for young people whether they are students or unemployed, and that has led to young people not understanding that there is a subtle difference between youth allowance for unemployed or part-time students and youth allowance for full-time students. That is why a lot of students do not even think to notify Centrelink when something changes that affects their study status.

Senator STOTT DESPOJA—We can ask some of those questions when we have departmental officers before us later today. Another issue that was raised was the idea of Centrelink maintaining a presence on campus. We were hard pressed to find too many campuses, for various reasons, where Centrelink has offices or pays visits to the campus. Most of the students or their representatives that we have spoken to suggest that most of the counselling and other work is provided by their welfare officers, many of whom are former or current welfare rights officers. Do you have a view as to whether or not Centrelink should play a more active role on campuses? Should Centrelink perhaps even have offices situated on campuses?

Ms Coad—The only Centrelink office situated on a campus that I am aware of is at Curtin University in WA. I do not know much about how it works but I have heard some reports that it was a good thing for students, because it did get around a lot of the problems they face. If a student happens to walk past a staffed Centrelink office they might pop in and say, ‘I have just changed to part-time study—does that mean anything?’ whereas if they had to contemplate actually going to the Centrelink office they probably would not. I suspect that making Centrelink easier to access would change some of those problems that students encounter. Obviously, that has resource implications for Centrelink, but certainly having a presence on campus would be a good thing for students.

Senator STOTT DESPOJA—One of the Victorian universities that appeared before the committee two weeks ago—I think it might have been Deakin University—is another example of a university with a Centrelink office that was campus based or paid visits to campus.

Ms Chapman—It would be helpful to have access on campus to Centrelink. Students often complain about waiting too long on the phone or in the lines at the front desk of the regular

Centrelink office and all those kinds of things. Making it easy for students would certainly be a bonus.

Senator STOTT DESPOJA—In both your written submission and your oral presentation to the committee today you talk about the anomalies of the indexation arrangements for student income support vis-a-vis other pensions. Are you aware of a rationale as to why those anomalies exist?

Ms Coad—No.

Senator STOTT DESPOJA—In terms of coming up with some form of indexation that would be fairer, what do you recommend? I take on board your comment about the fact that student income support is so far below the poverty line—up to 50 per cent below, based on your comments today. We are particularly conscious too of the fact that the Henderson poverty line is not always the best method of assessment because, obviously, it takes into account various factors including number of dependants et cetera. What do you recommend would be an appropriate indexation? That is not only in terms of how many times per year—I presume that indexing at least twice a year, in line with other pensions, would be one way of doing it—but also in terms of your preference for either CPI or MTAW, depending on which is the higher. Do think it is appropriate to apply that to student income support, even if we pegged it, say, to 25 per cent of MTAW and then graduated it? I am looking for a solution to the fact that the indexation of student payments is just so inadequate.

Ms Coad—Our suggestion is that they be indexed twice yearly, at a very minimum, and that, in the first instance, they are brought up to the rate of newstart payments so that they are equitable with payments received by unemployed people. Ultimately, they should be indexed as pensions are, which is by whatever is higher—MTAW or CPI.

Senator STOTT DESPOJA—In terms of determining priorities, you have referred to structural problems as well as to the payment rate. This is a bit of an unfair question but if you had to prioritise—let us say the government was going to make a change or some changes—what would you see as the main area for change? Would it be the adequacy of the payments—the payment rate—or would it be certain structures like the threshold? I also wonder, Ms Chapman—and this might also relate to some of the regional concerns—whether or not you think the assets testing or the threshold should be a priority, as opposed to the rate of payment. I know it is an unfair question.

Ms Chapman—Ideally, both.

Senator STOTT DESPOJA—Ideally, both?

Ms Coad—It is a very hard question. Off the top of my head—without having thought about it too deeply—I would say the rate, if I had to choose. Then, if the rate was increased in the ways that we have just discussed, to peg it more evenly, with newstart at least, would have a big impact for students. But I think the income test is a huge problem. It is so much lower than the income test for family tax benefit. It is completely incongruous that there is a child of 15 and a child of 16 and suddenly you are entitled to far less assistance for that child.

Senator STOTT DESPOJA—I recognise that it is a mean question because it fails to take into account the interrelatedness or the differences in the structure. The reason I asked the question is that, when we have had a government member present at these hearings, that has been one of the questions that has been forthcoming, and I thought we would get that on record just in case. I note the absence of any government member at this hearing, but I give you the same commitment that we have given other witnesses, which is that we will make sure that your evidence is provided to the government.

Would you support an independent analysis of the income support arrangements? You are obviously aware of the 2001 *Paying their way* report by the vice-chancellors. I am not sure if you heard this morning that they are talking about conducting a new or updated version of that report next year. I am wondering whether there is a role for an independent inquiry, arguably funded by government. Is that something that Welfare Rights would find a good thing?

Ms Chapman—I think so.

Ms Coad—We would definitely support an independent inquiry.

Senator STOTT DESPOJA—Are you aware of a survey—which we only just heard about this morning from the AVCC—that DEST is planning to do of drop-out rates of students from universities around Australia?

Ms Chapman—No.

Ms Coad—No, I have not heard about it.

Senator STOTT DESPOJA—We will be asking the department about that this afternoon. We will also, I suspect, be pushing for financial reasons to be a part of that survey.

Ms Coad—Absolutely.

Senator STOTT DESPOJA—Presumably you support that as well.

Ms Coad—Yes, definitely. It is very important to look at the reasons that people are dropping out and whether it is related to income support or other financial constraints. It would be very important to know the reasons.

Senator STOTT DESPOJA—The Student Financial Support Scheme, the SFSS, was of course abolished by the government last year, despite our attempts to try to quarantine the students who were already on it. Have you had feedback about the impact of the abolition of that scheme? Are you aware of individual students or families who have been adversely affected by its abolition?

Ms Coad—I have not.

Ms Chapman—I have not come across any cases personally.

Ms Coad—It is not something that we dealt with a lot in our role, so we did not hear a lot about it.

Senator STOTT DESPOJA—I was just curious. I was keen to find out about the general budget overview, and I thank you for providing that information in your opening statement.

CHAIR—One of your recommendations suggests that the Australian Bureau of Statistics compile exploratory data on the costs of living for young people. Are you suggesting that, at the moment in this country, we do not have an idea of what it costs to keep someone in their late teens or how much it would cost a person in their late teens to live?

Ms Coad—When the research was undertaken for this report, we found it incredibly difficult to find anything that came close to being specifically relevant to teenagers or young people on the costs of living. There is a NATSEM report that we have referred to in our submission, but the categories in that report, from memory, were not exactly what we were looking at. There was not an exact cost of living for a young person, a student—

CHAIR—So, without that baseline data, it is very hard to know how adequate or inadequate the youth allowance would be?

Ms Coad—It does make it hard. I think there are other things that can point to its inadequacy—for example, as you were talking about earlier today, the fact that students are having to work so many more hours. There are all those sorts of things. Without that data, it does make it difficult to put an argument as to what level it should be increased to, when there is nothing to peg it to and say: ‘This is what it costs to live. This is what people need to be receiving.’

CHAIR—Thanks for that. We might consider that further. Ms Chapman and Ms Coad, thanks for coming today. Your comprehensive submission and your evidence today have been very helpful and very much appreciated.

[11.56 am]

IMBER, Mr David, Policy and Liaison Worker, Tenants Union of Victoria

O'BRIEN, Mr Mark, Chief Executive Officer, Tenants Union of Victoria

CHAIR—Welcome. The committee prefers all evidence to be given in public, but if you want to give all or part of your evidence to the committee in confidence or in camera you just need to ask us and we will facilitate that. We have your submission labelled No. 139. Before I ask you to make an opening statement, do you have any changes or any supplementary work that you want to give us?

Mr Imber—No, we do not have anything to add. Unfortunately the Commonwealth budget this week did not provide any additional housing support for students, so there is nothing in our submission which changes as a result of that.

CHAIR—No good news; only bad news. I invite you to make a brief opening statement and then we will go to questions.

Mr Imber—The Tenants Union of Victoria welcomes the opportunity that this hearing offers to highlight the dire housing circumstances of many students. We welcome this inquiry, though not the need that has caused its establishment. What we are particularly keen to raise, which we believe is important, is that the issues facing students and their access to housing are replicated throughout the community. Housing, especially rental housing, is becoming less affordable in our capital cities and regional centres, and students, with their low rates of benefits and their workloads which mean that paid work is not always an option, are particularly disadvantaged.

Our submission has highlighted two main points. The first is that large numbers of students are living in poverty. While other submissions such as those from ACOSS and the National Union of Students, which we endorse, go into more detail, our submission quite clearly shows that students on benefits are often receiving as little as 9.7 per cent of male total average weekly earnings. This is a tragic statistic and one which should give reason for alarm.

On a personal note, I was the welfare officer at Monash University Clayton campus in 1996. Our committee organised practical assistance for students at the time such as tax-free help. I understand the welfare committee at Monash in 2005 is organising Free Food Mondays for poor students and even provides resources such as clothing for those who cannot purchase their own. That to me is a shocking indictment of the level of student poverty and of how much has changed in a decade. With the impending threat of voluntary student unionism, we are extremely concerned about the impact on student organisations, particularly as so many student organisations provide housing information, advice and referral to students.

With youth allowance at its maximum providing benefits of up to \$208.70 before Commonwealth rent assistance and Austudy providing a maximum of \$163.25 without access to Commonwealth rent assistance, it is clear that payments are low. By way of a simple

comparison, the median rental in Victoria in the latest Office of Housing Rental Report is \$220 for Melbourne and in non-metropolitan Melbourne it is \$165.

We also think it is important to highlight that housing needs of students are critical to their ongoing sense of income security and their experience of study. In our submission, we quote from an AHURI study which indicates that 68.3 per cent of students considered that their access to rent assistance was a factor when deciding whether to pursue further education. This shows us that there is a clear link between housing assistance and education.

It also highlights how critical Commonwealth rent assistance is to students: the need for it has increased as funding for public housing has fallen in real terms. To give a Victorian example, the Victorian government asserts that over the last 10 years \$760 million has been cut from its funding under the Commonwealth-State Housing Agreement and, as a result, 5,000 families are unable to be housed in public housing. Public housing has traditionally provided housing for low-income workers and is now largely for people on social security. Students are clearly going to find it incredibly difficult to access public housing, so private rental is really the main option if they are not able to live at home.

The second main part of the submission refers to affordability and appropriateness. We released an affordability bulletin in November last year which highlights the number of properties that were available for students in Victoria if they were receiving Austudy—at the time it was \$159.25. There were simply no properties available for them without going into severe poverty, even at above 30 per cent of their income in rent, whether you use the poverty line or not. That to us highlights again the fact that Austudy without rent assistance is a payment that is very difficult for students to live on. While it is fine for those students who are able to live at home, for many that is not possible, particularly for those from rural areas and from remote communities who need to travel to major centres, be they regional centres or capital cities.

So our main recommendation, which I would like to highlight today, is a call for a review of Commonwealth rent assistance. We think that the lack of access that students on Austudy have to Commonwealth rent assistance is a tragedy, but the level of rent assistance itself is a problem. Even those on youth allowance who do have access to rent assistance find it incredibly difficult. We can find, as previous witnesses have also found, no sound policy reason for excluding from Commonwealth rent assistance those who receive Austudy. With the current discussion about a national skills crisis and the government seeking to encourage more people from welfare to work, the focus should be on facilitating lifelong learning and encouraging people of all ages to take up further study, not just those that are under 25.

Housing sits at the centre of everyone's life. The romantic notion of student housing is of poor students living in poor group housing. The unfortunate reality in 2005 is an increasing number of homeless students or students isolated in rooming houses and caravan parks. I think that as a society we owe our students a better legacy than inadequate housing and stingy income support. Thank you.

CHAIR—Mr O'Brien, did you want to add anything?

Mr O'Brien—No, I do not have anything to add to that.

CHAIR—I do not think we have had any other submission that has talked about current inequities between youth allowance and Austudy or whether the rent that is paid to youth allowance but not Austudy recipients is sufficient, adequate or okay. In fact, nobody has said that that is the case. Do you have a handle on why there is a difference—why you can get rent assistance on youth allowance but not on Austudy?

Mr Imber—I think it is a great concern. I can only imagine that there is perhaps a very traditional point of view that students are still living at home with their families. That is a very romanticised view of why students are perhaps able to cope better with lower rates of income support in their younger years. The irony is that, whilst youth allowance provides a better rate than Austudy does, there is rent assistance on top of youth allowance whereas there is not on Austudy. I think it is quite a strange outcome. Perhaps there is a faulty belief that people over 25 have already settled their housing circumstances. That is not the case; clearly, more and more people are struggling for ownership, to afford to buy their own home, and so private rental is increasing and continuing over people's lives. There are going to be many Australians who will still be renting well into their 30s and who will perhaps never be able to afford to own their own home.

Mr O'Brien—I will add to that. It was disturbing for us to go back and look at when that policy change occurred, because there does not appear to be any rationale for the change. With something that is so clearly anomalous you would expect there to be a clear reason for it, and in fact there is not.

CHAIR—Suddenly there is an expectation that at 25 you have bought a house or you are settled and you are renting, and life is fine so you can do some study now.

Mr O'Brien—That is right. There is a sense of contradictory logic to it. In a sense, Austudy applies to people who are presumed to have a level of independence. That certainly means that their housing situation is, if you like, in their control. All the other indicators are that for people in the age cohort of 25 to 35 their rates of home ownership have declined, so by and large they are reliant on the private rental market for housing. I would have thought that would give you a compelling reason to provide rent assistance, not withdraw it. It is very hard to see how the logic of that fits together.

Mr Imber—Unfortunately, by not having access to rent assistance for those on Austudy, the clear policy intent appears to be that people over 25 should not be studying and should not be relying on Austudy.

CHAIR—They should have studied by the time they are 25.

Mr Imber—Yes, and that is a great concern.

CHAIR—We had a very sad situation put before us. Someone who was on youth allowance and was 24 years old was getting rent assistance but then became quite sick. He was given advice by Centrelink to take a break from his studies. He did, and so he was back on newstart. After he turned 25 he went back to his study but, of course, he had lost his rent assistance. Actually, he was not advised at 24 that if he changed he was going to lose his rent assistance if

he took up his studies again. You have heard previous witnesses say to us that it is riddled with inconsistencies.

Mr Imber—There is incredible inflexibility in the system. There is nothing magic about 25, just as we heard earlier that there is nothing magic about turning 16. We certainly hope that this committee will recommend a pretty major shake-up in this area and a change to ensure that students can afford to both study and live.

CHAIR—Is it your experience with the students you have come across that they battle against all odds? Do they live in caravans and work 40 hours a week in order to try and undertake their study? In other words, do the means justify the end at the end of the day? Or do they just say: ‘This is all too hard. I will get a job that perhaps doesn’t require this qualification. I will just forget about my study because it’s too hard to live.’

Mr Imber—We see almost 30,000 tenants a year at the Tenants Union of Victoria and we do see large numbers of students and provide advice to student housing officers. There are clearly a whole range of different situations that students find themselves in, but it is a concern that for a lot of students the only way they can ensure that they keep their housing and are not evicted from their rental properties is to take on more work. So our feeling is that perhaps their studies might be suffering as they take on more and more work and try to make ends meet. That is obviously a great concern for their future and their future earning capacity. It is a pretty horrible decision for a student to have to make: do I work harder and perhaps fail at my studies or do I work harder at my studies and not do as much paid work even though that might mean that I will be evicted?

CHAIR—When did the free-food Mondays start?

Mr Imber—I left Monash’s Clayton campus in 1998 and they certainly had not started then. I understand from discussions with people at Monash University it is a very important part of what the welfare committee now does. It is an incredible concern. Fees are already high, there have been significant changes to HECS, and income support is not keeping pace even in a very basic way with the CPI or male total average weekly earnings. In that context, the fact is that even those students who are lucky enough to get through the barriers and get into university, and so are probably are not as representative of the community as they should be because it is so expensive to study, are suffering from poverty and, as we can attest, severe housing related poverty. That is a grave concern and we think the government should be doing something about that.

Mr O’Brien—It was very disturbing for us to discover that there were students living in caravan parks and in boarding houses in order to facilitate their access to education. We thought that was a very significant indictment on the levels of income that were available. I want to add to something we were talking about before: it is very important to recognise that the rental market in the capital cities now is largely unaffordable for anyone on a statutory income. In Melbourne, for example, affordable properties for statutory income holders are 35 kilometres from the CBD. They are in places like Dromana and Berwick and places quite removed from where educational institutions are.

The bind that that puts students in is that from the place where the affordable housing is it costs you a lot of money to get to your institution, or if you move close to your institution you pay more money in your housing costs. Like lots of low-income people, students are stuck in a terrible bind there. The result of that is that people choose very marginal housing tenures while they are studying, so choosing to live in rooming houses and caravan parks. People may have a view that boarding houses are not all that bad; they may have an old-fashioned view of a private hotel. Boarding houses now are nothing like that. Boarding houses are full of people with complex needs and very significant issues—hardly the environment where people studying would choose to live if they had better options.

Senator STOTT DESPOJA—I am trying to find the *Hansard* from the last time I moved the rent assistance amendments to see whether there was a rationale at the time as to why they were defeated. I know I have done it a few times but I think the last time I attempted to was during the debate on the closure of the SFSS. But, as you may recall, we never actually had that debate; the government closed it down without the facilitating legislation. But I digress. Thank you for your submission this morning.

CHAIR—There are no government members here.

Senator STOTT DESPOJA—The lack of government members has been noted by all. On the review of rent assistance, I take on board that recommendation and totally agree, for all the reasons that have been discussed today and in your submission and others. Do you necessarily want to restrict it to rent assistance or would you support an independent review of student income support measures and thus where rent assistance is or is not available as well? Is that something you would support?

Mr Imber—Clearly there are two issues that need to be addressed. One is that at a minimum students on Austudy should have access to rent assistance. We do not think that there needs to be an inquiry for the government to know that that is a problem. The evidence of the witnesses that have appeared before this committee and the submissions that have been received clearly show that there is a need for that. We certainly hope that the committee will put that recommendation forward. In terms of rent assistance more generally, it provides assistance to hundreds of thousands of primarily welfare recipients in this country, for people way beyond students. I guess we were very keen to raise that issue in this place because it is important that, while students are suffering, particularly those on Austudy who do not have access to rent assistance, it is almost a microcosm of what is going on that there are students on youth allowance who are receiving rent assistance but that still does not mean that they are not in poverty.

The rent assistance itself is not working. There are significant problems with rent assistance being at a flat level across the country. So it is not just capital cities. Obviously Sydney, Melbourne and now Brisbane are becoming very expensive capital cities but this affects people who have to move to regional centres. There has been a great increase in rents in regional centres in Victoria, like Ballarat, Bendigo and Geelong, that have higher education. So we think it is incredibly important that in regional centres there is some recognition of people having to move. Mark mentioned that people have to make the horrible choice between living far away where the accommodation is cheap, then spending all their money on travel costs and other incidental costs to get to where they have to study or work, and living close so that all that money goes on housing costs.

So rent assistance itself is not satisfactorily meeting the needs of those who rent. There needs to be an adequate look at the level of rent assistance and how it is placed and ensuring that rent assistance actually means that you are not simply getting a little bit extra to help you, you are actually getting a reasonable amount of assistance to ensure that you are not living in poverty. It is a terrible policy position where the government provides you assistance for your rent but that does not mean you are not in poverty. There are tens of thousands of people in Victoria receiving maximum rental assistance and still paying well over 30 per cent of their income in housing costs.

Mr O'Brien—I will add to that and say that in the end you are right: it becomes an issue of whether the base income and the CRA in combination provide an adequate level of income support. A general review of levels of income support would pick up both of those issues. I will add to what David said and say that there is also an issue about what the role of the CRA is. It is viewed in some instances as a housing payment but it is not directed specifically at housing. It is like a contribution to the budget of a low-income household, in effect. There is a general problem there about how those things operate together. The overlay for that, for us, is that in relation to all of the income support measures of government there is a general problem with low-income households living in private rental accommodation and having to choose between cheap accommodation and low access to employment opportunities and services, including education, or expensive accommodation and good access to employment opportunities and services. The latter constitutes a very big risk for a low-income household. I invest in my future as a low-income household to get out of welfare dependency, but the risk I take is that my housing costs will kill me in the short term.

Senator STOTT DESPOJA—To carry on, Mr Imber, from what you were saying about whether or not the amount caters for the different regional or geographic areas and the differing costs associated with those areas, are either of you proposing that there should be perhaps a differentiation in payments per se to cope with higher rents, either in markets where housing is more expensive or in regional, remote and rural areas where there are additional transportation costs? How would you organise that? People have been grappling with this issue of rent assistance for a long time. How do students in Sydney cope with their rents versus students in my home town of Adelaide, in a suburb that is relatively inexpensive, comparatively?

Mr O'Brien—If we had our policy ideal, there would be a commitment around housing affordability and the level of payment would be driven by achieving an affordable outcome. Then you would not need to go through an exercise of arbitrarily drawing boundaries around rental markets to try and fix that problem. In the end, you are never going to fix that problem. Student accommodation is very interesting, because often you get micromarkets around institutions. For example, in Melbourne, generally speaking, rents are higher close to the city. But if you go out to Monash University, which is about 20 kilometres from the CBD, there is a micromarket where housing costs are a bit higher precisely because the institution is there. If you draw an arbitrary line around Melbourne and say, 'If you are 15 kilometres from the CBD in Melbourne you get a special rent assistance benefit,' you will miss the people who are at Monash and probably the people who are located around La Trobe. From a student point of view, that simply will not work.

Seeing as we are realistic enough to know that we may not get our policy ideal, you are forced to fall back on the lesser alternative, which is that you need to establish some principle around

which you vary the amount. That principle, for us, should be driven by some relationship to the real expenditure of the household, not the indicative expenditure that you might get from rent levels in particular areas. We disagree with the proposal that you would say, 'Sydney is much more expensive than everywhere else, so let's just do something for Sydney.' That is not adequate.

Senator STOTT DESPOJA—I agree with that. I obviously used that as my hypothetical. But when you talk about getting a realistic understanding or percentage of the expenditure of the household, are you determining that on a case by case basis? What level of administration is involved in that? Are you talking about some basic differential rates to begin with such that you fall into one category or another? Do you see what I mean?

Mr O'Brien—I understand exactly what you mean. Again, from an ideal point of view, we would obviously like it to reflect the real expenditure of particular households. If you do that you need to have some nominal notion of what reasonable expenditure is and what unreasonable expenditure is. The view that is often put to us is that you do not want to then structure the payments so that people can cherry pick to live in South Yarra or North Sydney or wherever it may be. That would not be what we want either. It is interesting to reflect on the evidence of the previous witnesses. We would probably agree with them that there is a lack of data around on what real levels of expenditure, particularly for low-income households, look like.

The Henderson poverty line is the only reliable indicator at the moment. It is very easy to poke holes in the logic of the poverty line because of the way it gets applied, but it is still the most reliable indicator we have. It is an indicator that was specifically established so that you could not argue that people who fitted under that poverty line were poor. Even though now many people try and argue that the poverty line is too generous, it was specifically structured to avoid that intent. That seems to have got lost in the long period of time since it was originally established. So we think there are reliable indicators around that.

If you look at lots of statutory payments and you compare the real housing costs with the statutory payments and how that sits you in relation to after housing income, there are not too many where the after housing income aligns with or is above the Henderson poverty line. We think there is good data around that says, 'Here's the real cost of rent. Here's the after housing poverty line.' What we need to move towards is a structure of payments that reflects those two things. As David quite rightly said before, we do not think it is appropriate for the government to have a program that it acknowledges fails one-third of the people whom it is intended to assist.

Senator STOTT DESPOJA—That is an excellent point. I think the Henderson poverty line is an excellent indicator. In this inquiry it serves an incredibly useful purpose to illustrate how drastically inadequate income support is, specifically for students. My concern is, when we talk about how we resolve payments, whether or not that is the best indicator to which we should peg any increase or supplement. I get nervous about using it as opposed to CPI or male total average weekly earnings, something like that. Any comments I have made throughout the process of this inquiry are not designed to reflect the Henderson poverty line as an indicator. When we talk about the data, have you got examples of the real impact—not in relation to expenditure but in relation to evictions—that the lack of rent assistance or unavailability of rent assistance in some cases has on student eviction rates?

Mr O'Brien—I do not think we can specifically talk about student eviction rates, but what we can say with a reasonable degree of confidence is—and I might need to confirm these figures for the committee—

Senator STOTT DESPOJA—I am happy for you to take it on notice.

Mr O'Brien—that the Victorian market has around 380,000 tenants in it. VCAT, which is the civil jurisdiction that deals with landlord and tenant disputes in Victoria, deals with about 33,000 applications for possession for rent arrears per year. What that looks like is that somewhere around 10 per cent of the market in any given year is the subject of applications to VCAT for possession. From our point of view that is a shocking illustration of market failure and shows that the product is simply too expensive for people to deal with. What we believe is going on is that the majority of those applications are to do with people on low incomes—and predominantly statutory income holders—who are struggling in a rental market where the cost is gearing up all the time, particularly over the last few years, but where benefits and pensions have not geared up accordingly. I think rents in Melbourne and, I believe, in most of the major cities in Australia have well outstripped CPI in the last five or six years. If nothing else the CRA payments have not kept up with the movement in real rents.

Senator STOTT DESPOJA—The premise of your submission, I think, is that absolute policy failure. Your final recommendation deals with the alternative means of funding housing for students and the general idea of investment in social capital. Do you have suggestions as to how you would implement recommendation No. 4, which states:

If Australians are encouraged to participate in education as a matter of government policy, concomitant financial and other support should be provided.

What examples do you have of that? Does that mean alternative arrangements in funding or the provision of housing or income support? Ideals are welcome here, by the way.

Mr O'Brien—We love ideals.

Mr Imber—Our expertise is in the area of housing. What recommendation 4 is getting at is that we have clearly raised some issues around the adequacy of rent assistance. Part of the problem of rent assistance is that it is an inadequate payment operating in a poorly functioning market. That is largely because a whole range of federal tax concessions and arrangements for housing have meant that there is a severe lack of affordable housing in this country. Rather than simply focusing on matters of interest rates and ownership, we think the government should be looking much more broadly and much more meaningfully at what people's housing experiences are in the real world—and their housing experiences are quite poor. There has been development and there has been new housing, but that has not been at the affordable end of the market. You have people on higher incomes occupying low-cost properties so that they can try and save to move into home ownership and you have people who are saving for other purposes. There is a real mismatch.

One of the simple things that the Commonwealth could do is to increase their payments to the states and territories under the Commonwealth-State Housing Agreement. They could do a lot more in areas of housing like Indigenous housing. This week the government put just over \$100

million into Aboriginal housing, which is nothing compared to the need. They could look at negative gearing and the capital gains tax concession. The capital gains tax concession in particular has meant that there has been money going into housing, but it has not been structured into affordable housing. The last figures that we were able to see show that the government has a pool of about \$21 billion for housing. Of that, \$4 billion goes into the Commonwealth-State Housing Agreement and rent assistance, but \$17 billion is going into these tax expenditures. Essentially, richer members of the community benefit by not paying tax and poorer members of the community get a very small amount of direct payment and do not have access to the sort of social housing that they need.

To bring it back to students, it is important that students are able to have housing choice. Part of that might be the choice for public housing. This government appears to be ideologically against public housing but, if it is against public housing and it supports the notion that the market can deal with it, it needs to look at solutions which intervene in the market. Rent assistance is one of those. Rent assistance is based on the notion that there is a private market. You need to realise that there is market failure going on and provide more in terms of rent assistance.

You can also do a lot more, and we would encourage the government to do a lot more, in the area of tax concessions. They do not even have to be as brave as to consider abolishing negative gearing or the capital gains tax concession—I guess, Senator, that is an ideal position—but what they can look at doing is providing greater targeting. They can provide a focus on people's housing needs. Looking at the sorts of statistics we have shown with housing, even cities outside Melbourne, Sydney and regional centres are experiencing great increases in housing costs. There needs to be a greater commitment to do more around affordable housing.

Mr O'Brien—All state governments are currently working on proposals for effective partnerships with community based organisations to deal with social housing supply. One of the options that should be looked at for student housing is what I guess you would call boutique housing products that cater to the student market. In Melbourne at least, we know that there are some products that have come about in the private market to cater to student housing, but some of those are exploitative and some of them have sought to get out from under particularly things like legislative coverage around rights and responsibilities.

So we think there are lots of levers that the state has at its disposal where you could both increase supply but fundamentally ensure that the outcomes for student housing were good quality outcomes. So public-private partnerships are a way that you could do that, looking at community based organisations managing larger portfolios of social housing with a student focus. They are all things that are feasible and, in part, some state governments, in particular, are working towards those. But I absolutely endorse what David said. At the bottom, what you actually need is facilitation by government and some degree of subsidy provided by government for those to work. If it were a simple private market arrangement then the private market would not be failing in the way that it is. Essentially, the margins that are required to deliver affordable housing need to be in part underwritten by subsidies from government.

CHAIR—Thank you for your time, for your evidence and for your submission.

Proceedings suspended from 12.31 pm to 1.33 pm

CORNISH, Mrs Michelle, National Manager, Centrelink

HOGG, Ms Carolyn, Deputy Chief Executive Officer, Stakeholder Relationships, Centrelink

BENNETT, Ms Susan, Acting Branch Manager, Income Support for Students Branch, Department of Education, Science and Training

BORTHWICK, Ms H Jessie, Group Manager, Strategic Analysis and Evaluation Group, Department of Education, Science and Training

CARROLL, Ms Liza, Branch Manager, Housing Support, Department of Family and Community Services

HAZLEHURST, Mr David, Branch Manager, Family Payments, Department of Family and Community Services

WALLACE, Mr Benjamin James, Acting Branch Manager, Seniors and Means Test Branch, Department of Family and Community Services

CHAIR—Welcome. The submission from the Department of Family and Community Services is numbered 110, and the submission from Department of Education, Science and Training is numbered 124. Have you got any changes or additions that you want to make to those submissions before we start?

Mr Hazlehurst—No changes. I am imagining that the committee is already aware that with the machinery of government changes the vast majority of the content of the FaCS submission now falls within the DEST portfolio.

CHAIR—We might get to that. Would anyone like to make a brief opening statement?

Ms Borthwick—I would like to make some observations. With the income support function for students now transferring to DEST, it is worth bringing the committee's attention to a couple of background trends in education and training, in particular the growth in education participation over the last decade, which has seen very great expansion in post-secondary education in particular—in higher education, in the order of 33 per cent over the last decade to 2004 and in vocational education over 50 per cent. That comes about as a result of a number of things, including increased places in both higher education and vocational education; broader community recognition of the value of increasing skill levels and qualifications; and the acknowledgment, particularly amongst young people and their parents, of the very real private rates of return which accrue with participation in higher education and vocational education. As well, as has already been noted, we would like to bring the committee's attention to the newer responsibilities that DEST now has and also to point to a couple of initiatives that came out of the budget which relate to income support functions. In DEST we are particularly pleased to have the income support for students now in the portfolio, and we will be able to take that forward in an integrated way with education and training policy more broadly.

Looking back, as you might be aware, the findings of the three-year evaluation of Youth Allowance, which concluded in 2002, showed that Youth Allowance is working and having a positive impact on the capacity of young people, particularly those from disadvantaged backgrounds, to participate in education and training. The government provided approximately \$2.3 billion through Youth Allowance during the 2003-04 financial year, assisting an annual average of 371,986 young people. Of these, over 284,000 participated full-time, a little over 1,000 were part-time and 86,800 were job seekers. The government also provided approximately \$259 million through Austudy during the 2003-04 financial year, assisting an annual average of 33,530 older students, as well as \$168 million under Abstudy through the 2003-04 financial year.

As you are probably aware, two new initiatives were introduced as part of the last budget. The first is the provision of \$120 million to extend an entitlement to youth allowance, Austudy and Abstudy to new apprentices. That will ease considerably the financial burden that young apprentices in particular face in the initial years of their training. The second is an adjustment to the taper rate or the benefit withdrawal rate for students on youth allowance, Austudy and Abstudy. The adjustment will allow these students to obtain more of any income they earn from temporary or part-time work, which I know has been an issue of concern to the committee, and earn more income before their benefit is exhausted. This initiative provides an incentive for those students to combine study and part-time work, which is already a very real issue, as we know.

To give you an example, a 16-year-old first-year apprentice plumber living in Melbourne is dependent on his parents but living away from home. He is sharing a rented house with two friends, and his share of the rent is \$90 a week. His parents' combined income is \$40,000 per annum. He has three younger siblings, aged five, 11 and 13, for whom his parents are receiving family tax benefit. His earnings include some overtime and total \$300 per week. He could apply for youth allowance and expect to receive \$106.91 per fortnight commencing from 1 July. From 1 July 2006 following the introduction of the new taper rate, the apprentice will receive an extra \$28 a fortnight—so quite a considerable advance on the current situation.

By way of conclusion, with the functions now moving into DEST, we have the opportunity to look at income support for students in line with a range of other educational and training policies and, in particular, to look at the effects and impact of income support, which we consider to be a very important plank of the government's capacity to increase access to post-school education in particular, for young people and for their parents.

CHAIR—I want to clarify something Ms Borthwick said. The budget measures include \$120 million to extend Youth Allowance and Abstudy to new apprentices. Have you got an idea of how many that will be?

Ms Borthwick—It is early days at the moment. I might ask Ms Bennett to comment on that.

Ms Bennett—We cannot have an exact number until we have this put into effect, because it is related to students' actual income and their parents' income and those sorts of factors. But on the information that we do have, it appears it could help 93,000 over the next three or four years. That is what the projections are.

CHAIR—That is the \$120 million. And the benefit withdrawal rate has increased to what now? How much can students earn before their income starts to affect their allowance?

Ms Bennett—Are we still looking at the new apprentices?

CHAIR—Either, I suppose. Is the threshold different for new apprentices?

Ms Bennett—No. The apprentices will have the same income-free area of \$236 a fortnight as full-time students.

CHAIR—Just explain the difference in the benefit.

Ms Bennett—So for the money they earn in that income-free area, it remains, for above \$236 to \$316 a fortnight, 50c in the dollar. What has been changed, from 1 July 2006, is that for those earning above \$316 a fortnight it goes from 70c in the dollar down to 60c in the dollar.

CHAIR—And it stays at 60c in the dollar? So for every dollar you earn over \$316 it is a 60c-in-the-dollar reduction? It does not go back up to 70c or 80c, if it is more?

Ms Bennett—No.

Senator STOTT DESPOJA—Thank you for appearing today at this inquiry. I have a general question to begin with—whether or not the departments would support an independent review of student income support. Or do you feel that there is sufficient information currently available in relation to student income support measures and their impact on students in today's society?

Ms Borthwick—There is a reasonable body of evidence already on the issue of income support. At this stage, it being fairly early days, with the department having inherited the function, we have not yet looked at the issue of whether or not we need to do a further evaluation on those issues more broadly.

Senator STOTT DESPOJA—In relation to the differing administrative relations or responsibilities now, was any administrative funding provided to ensure a smooth transition between the departments in terms of the responsibilities for administering student income support? Has that been assisted in any way, or is there just an expectation that it would be smooth and it has been, or is it early days?

Mr Hazlehurst—I suspect it is the latter. I don't know the answer to that question. We could find out.

Senator STOTT DESPOJA—I am sure if there are any problems you could indicate to the government that any additional assistance is required.

Ms Bennett—There is considerable activity in terms of making the transfer into the new arrangements smooth, with various working groups and interdepartmental meetings concerning the various policy and other practical matters that we need to consider.

CHAIR—Who does what now? Is DEST setting the policy as to who gets youth allowance?

Ms Bennett—We have Youth Allowance, Austudy and Abstudy. As you know, we had Abstudy previously. Centrelink remains the service delivery agency. We have Youth Allowance for full-time students and DEWR has Youth Allowance other.

CHAIR—Basically Centrelink are now just the operational arm of putting in place the policy?

Ms Hogg—As they were previously.

CHAIR—But previously you had the responsibility for policy for Youth Allowance and—

Mr Hazlehurst—No, FaCS did.

Ms Hogg—Centrelink has never had responsibility for policy.

CHAIR—FaCS had that.

Ms Hogg—Yes.

CHAIR—And now the FaCS responsibility has gone to DEST?

Mr Hazlehurst—Indeed. We still have responsibilities that are related—and hence we are here today—with regard to family tax benefit and assistance and some aspects of means-testing.

CHAIR—Okay, I have it clear now.

Senator STOTT DESPOJA—You talked about the wide body of evidence that is available in relation to the assessment of income support. There has not been a comprehensive assessment of all income support measures for students for at least a dozen years, but like you I am aware of some reports and, in particular, the *Paying their way* report by the Australian Vice-Chancellors Committee. As you may be aware, this morning in their evidence Mr Mullarvey, on behalf of the AVCC, said that they would be doing an update of that report next year. Is that something that you think that the departments would usefully have input into? I know that last time, in 2001, the government was invited to play a role in that report and chose not to participate. Is it something that you think might be of benefit?

Ms Borthwick—We have not been approached, and we will consider it when we are.

Senator STOTT DESPOJA—Fair enough. The AVCC did indicate to us, however, that they had been approached by DEST regarding a survey of drop-out rates for students. Are you able to elaborate on that for the committee? Perhaps you could let us know what is involved in that survey, when it is commencing and whether or not issues such as financial reasons for student drop-outs will be specified or considered within that survey.

Ms Borthwick—A steering committee for the survey made up of members of the AVCC, universities and us has met only once to look at the issue of conducting that survey overall. I believe we have only just contracted an organisation to undertake the survey for us. So, again, we are in the fairly early stages of that survey work. The government has been very interested in that survey, and in fact it was our discussions with our minister that triggered the need for the

survey. We are particularly interested in looking at the attrition rates for first-year university students—that being the group that is most likely, as you are probably aware, to drop out. I imagine we will be canvassing a wide range of issues through that survey.

Senator STOTT DESPOJA—What organisation have you contracted to undertake that survey?

Ms Borthwick—I am not sure whether we have yet advised the unsuccessful applicants for the tender, so if you do not mind we should not say at this stage.

Senator STOTT DESPOJA—Fair enough. Perhaps you could take that on notice, and when that information is available you can let us know.

Ms Borthwick—Yes.

CHAIR—Is this survey going to include questions on income support, as a means of assessing whether that is one of the reasons why students drop out?

Ms Borthwick—At the moment the development of the survey is not sufficiently advanced in terms of questionnaire design and so on, so it is really an open question as to what will and will not be canvassed. As I said, we are interested in finding out why people do and do not continue, so I imagine we will canvass a wide range of issues.

CHAIR—If you did not include a question about income support, your survey might be inadequate.

Ms Borthwick—As I said, we really have not got to that stage yet, and we will be talking to the universities themselves and the AVCC as to what sorts of issues that they want canvassed in that.

Senator STOTT DESPOJA—I will pursue that now then, if you would like. Are any exit surveys performed by DEST in relation to student drop-outs or the attrition rates? You talked about the first-year grouping, which is particularly problematic in terms of the withdrawal rate. Do you as a department have any particular evidence to demonstrate that students drop out for financial reasons?

Ms Borthwick—I will probably have to take that one on notice, but I am not aware of any. I do not know whether you are, Ms Bennett?

Ms Bennett—No.

Senator STOTT DESPOJA—Obviously, I am curious to know if you undertake any of that research and, if you do, what percentage of students would cite financial reasons as a reason for withdrawal. I will ask a couple of Centrelink questions, if I may. I am not sure of the best way of structuring these questions, now that we have got everyone together. I will begin with the fact that a couple of the submissions referred to the fact that Centrelink visits campuses or, as we heard this morning, in the case of Curtin and, as we heard two weeks ago, in the case of one of the Melbourne institutions—you might be able to remind me which one; I think it was Deakin—

they have Centrelink officers situated on campus. That seemed to be something that was viewed very positively by the student body. Can you please outline for the committee how many campuses get that kind of presence or visits and tell us if there are any plans to extend, expand or indeed limit that?

Mrs Cornish—We have built on providing a range of services to students to make the most experienced staff available to deal quickly with them. That of course includes on-campus services at a number of sites. We have particularly maintained an on-campus service at RMIT for the past five years and we have developed a very good relationship with a number of the coordinators. We are currently working with Linda Jackson, who is based at the RMIT city campus. Our presence varies with the demand, so this year, I understand, five staff were on-site at the city campus during the peak period from 31 January to the end of orientation week. This presence reduces, based on the demand, to a part-time presence—for example, one staff member two days a week in the low-demand period. We have approximately 6,500 Centrelink customers currently attending RMIT across the three campuses. I understand that our presence is supported and appreciated by the administration at RMIT and we will continue that partnership next year.

We also have an on-campus service at Melbourne University and La Trobe University. We have a similar strong presence during the student peak claim period. In Western Australia we operate six specialist student services centres in key locations to support students, including the one that you mentioned, Senator Stott Despoja, the on-campus office at Curtin University. The staff in these offices specialise in student services and, again, the staffing numbers vary according to the demand. The Curtin office will include up to 15 staff in peak periods.

In Area West Victoria we also have a service strategy which is focused on students and youth job seekers at risk. The focus is on out-servicing arrangements, particularly with trying to identify and address individual needs of customers. Some examples of where that area has out-servicing by their youth-servicing officers in tertiary institutions include Deakin University, at the Geelong and Warrnambool campuses; the Bendigo campus of La Trobe University; the Ballarat campus of the University of Ballarat; and the Victoria University campuses at Werribee, Newport, St Albans, Footscray Nicholson Street, Sunshine and Melton. These activities are in addition to the ability of students to access all inquiries and related activities normally conducted within a customer service centre.

Senator STOTT DESPOJA—So, based on the list of campuses or institutions that you have given me, obviously there are a few states who would not have any officers or representation on campus per se, except maybe in peak periods like orientation—does Centrelink visit campuses during those peak periods at other institutions around Australia?

Ms Hogg—Yes, we do. We have obviously done some monitoring of these types of services, and our ‘on-site at campuses’ strategy is considered a better practice model. As Mrs Cornish said, it depends on what the institution actually wants. Sometimes we offer to provide that service but, either because of space or whatever reason, it may be difficult at that time. We certainly see this model, wherever we can cooperate with the institutions and where indeed the demand is, as a better practice model. Other than that area, managers are very flexible in terms of daily visiting services or outreach services to provide the services closer to the students wherever they can. Indeed, over time there have been certain youth offices created or parts of the service centres have been dedicated to young people et cetera. There is a variation on the models

that are used, and usually the area manager determines the better practice for the demand in the area.

Senator STOTT DESPOJA—I have no doubt that it is a best practice model. The comments about the on-campus support have been very positive. But, having said that, there have been some fairly negative comments, which I hope you have had an opportunity to review in the *Hansard*. One of the questions we have as a committee is: what steps are being taken by Centrelink to perhaps upgrade or improve some of the services that are available to students? We have touched on the issue of an on-site presence, but I have no doubt that you are aware of some of the criticisms and I am wondering how you respond to some of the issues. Obviously the first one relates to resourcing and availability of Centrelink officers. But, more generally, what are some of the things that you are doing?

Ms Hogg—I will start off, but Mrs Cornish may give you some more detail of the actual projects. Since being created in 1997 and being given the opportunity to provide services to young people, Centrelink has had a particular focus on young people as a group. There has been quite a deal of internal investment by Centrelink in looking at better ways to deal with and provide access to young people. There has also been government investment in relation to our knowledge that young people are better able to and want to deal with us more through technology where they can, as opposed to having to come in to a particular office at a given time et cetera.

Over three or four years, there has been a deal of collaboration between our client departments and ourselves in trying to work with students and young people to find the best ways that they would like to access services. As recently as last month, we started to put claim processes online for students, which is now starting to get some good take-up. We do not advertise these things broadly, because we need to be very careful in terms of our own infrastructure and our ability to respond to changes in the way we deliver services. We put them in and we watch them very carefully for a while, so that we do not promise more than we actually deliver. There are a number of things in the pipeline, including the online services. Perhaps Michelle will go through what we are doing.

Mrs Cornish—As Carolyn said, we have about 350 CSCs where students can go for information. But we are conscious, as some of the transcripts have demonstrated, that students can be time poor. So we have provided a lot of online services so that students are able to access their personal information via the internet. They can report their income to us by telephone or online. That removes the situation where they might have to travel to a customer service centre to do that. They can also download forms directly from the internet. As Carolyn said, we have recently introduced a service where they can lodge their claims for income support over the internet. We released this service on 26 April and, as of 6 May, 191 claims have been submitted via this service and a further 227 claims are in progress. It is a very clever application and it is also quite flexible in that, for example, it allows students to start their claim process, log off and then come back to it and continue it. So they do not have to key it all in one go. New apprentices will also be able to utilise those services from 1 July.

We also have the reporting of income by self-service facilities, as I explained. They can do that at the CSC, through interactive telephony or through the internet. We have had up to 83,000

students reporting their income via our self-service options in a single fortnight. They can also check their next payment date and confirm their contact details using these self-service facilities.

CHAIR—How do they know to do this? Have you embarked on an advertising campaign to promote this?

Ms Hogg—As I said before, when the young person—or our customer, as we call them—makes contact with us we offer them that service. It is more or less on a one-on-one basis. We work through the registration process and the PIN et cetera. With a new service we prefer to do it like that to start with. We are putting out a new product and service so we watch and make sure that the applications are working well. Sometime in the near future, probably before the peak processing time for students, we will make it much more broadly known amongst people coming into the claim process this year that this is available. It will make the claim process a lot easier.

Senator STOTT DESPOJA—When you say ‘monitor’, how long would you do that for? I am sure it varies, depending on what kind of project you are implementing. Can you give us an idea of how long that would be in the case of the online work?

Ms Hogg—Probably within the first three months we would do what we call a post-implementation review to get some of the immediate problems ironed out very quickly. Within six to 12 months we would do a formal evaluation of a new process where we would involve the customer in some feedback and views of the service in terms of how we might continue to improve.

Senator STOTT DESPOJA—You do not want to overload your resources and understandably you want to be able to manage it properly and watch and see what happens, but how would those students be aware of the fact that they could access this service now, in the first place? How would that initially be drawn to their attention?

Ms Hogg—If they rang Centrelink or came into an office to inquire about the claim process we might tell them at that point and discuss the registration process with them. It is being very carefully done at the beginning because it is only four or five weeks old. The last thing we want, obviously, is to put a product out there and to have it fall over. People do not come back into these sorts of processes very easily once you put it up there again. We do not want it to fail in any way, so it is very closely monitored.

Senator STOTT DESPOJA—Ms Hogg, I would like to take up something you said earlier. You said that over the last three or four years you were improving—I forget your exact terminology—usage, discussion or whatever with customers. I am wondering about partnerships that used to exist between, for example, Centrelink and the Student Financial Advisers Network. Has there been any attempt to reconvene that partnership program?

Ms Hogg—I will have to take that on notice.

Senator STOTT DESPOJA—I think 2001 was the last time that partnership existed.

Ms Hogg—I will find out. I would like to mention one other service that is important. We are now trying to link directly with the tertiary institutions so they can tell us online if someone is

going in or out of a course. In the past this has caused a great deal of overpayments where the student has neglected to tell us that they have either reduced the amount of study they are doing or they have prematurely exited the course et cetera. From that point they can be overpaid. We have a trial going with the University of Queensland, I understand, where the student enrolment database is linked directly to ours and the impact on the payment is transacted immediately. For all of the students who have volunteered to be part of that process we have eliminated 100 per cent of any potential debt. This is another service which is very positive in terms of helping students who might have forgotten that Centrelink needs to know these things.

Senator STOTT DESPOJA—I would like you to talk me through the privacy implications of that. Does that involve students in this trial study providing consent to have that information data matched?

Ms Hogg—Yes. It is by consent.

Senator STOTT DESPOJA—And the proposal to work with more institutions will also involve similar consent provisions for students volunteering that information?

Ms Hogg—Absolutely.

CHAIR—We have heard a lot of criticism about what happens when students go from full-time to part-time study: they go into student admin, they reduce their load and they think that is the end of it—that they do not have to tell Centrelink. How does Centrelink deal with that and would this direct link with student administration records now automatically click in? There would not be such a large student debt if that is the case.

Ms Hogg—That is absolutely right. With large institutions where we are able to make this work technically—and it is probably not possible everywhere—and where the student gives permission, yes, it will perhaps reduce that problem.

CHAIR—What would make it possible to work everywhere?

Ms Hogg—There are some technical issues.

CHAIR—Is it because of the student administration system? I thought everyone had to move to the same system as of 18 months ago.

Ms Hogg—It might not be that. It might be more the issue of whether the institution actually wants to be part of the trial processes, or the pilot processes, rather than a technical issue. That is probably the wrong way to describe it: I think it is more where they actually wanted to participate in the trial. But obviously we wanted to go to a large institution to start with in terms of the viability of the process.

CHAIR—Do you have figures on the overpayment or on the errors that have been reduced as a result?

Ms Hogg—We did not bring the figures on the trial, but I can tell you how many students have been involved and what that has eliminated thus far. From our perspective, it has a lot of potential if young people want to be part of it.

Senator STOTT DESPOJA—This committee has heard evidence from students—and, again, I think it was reflected in the transcripts—that Centrelink officers have advised full-time students to decrease their load and go on newstart. Are you familiar with this? Is it standard practice, in which case is it not contrary to government policy and objectives that are trying to ensure students and members of the community get more education and training as opposed to going onto the dole?

Ms Hogg—It is certainly not our policy to advise students one way or the other on jobs or learning opportunities. We do have a duty of care, though, to make sure that somebody seeking government assistance is aware of all the entitlements—the rates of payment and the terms and conditions of all the payments et cetera. So, yes, we would expect our staff to make people aware of the differences between the payments. Some of the differences that apply in these cases are quite significant. But, again, you really do have to look at the circumstances of the individual. That is why we never advise our staff to make a recommendation one way or the other: you have to know the individual circumstances. I think Mrs Cornish might mention some of the things that differ between those opportunities or choices.

Mrs Cornish—As Ms Hogg said, it is not the role of our CSOs to advise the customer to give up full-time study in order to increase their entitlements. But they do have a duty of care to talk about the possible entitlements and implications of the customer's personal circumstances on those entitlements. That is really so that the customer can make an informed choice about what they would be better off receiving. The sorts of issues that a customer service officer may raise include the fact that Austudy recipients are not entitled to rent assistance, the nature of the activity test and the mutual obligation requirements if you are receiving newstart allowance. They might also raise the fact that Austudy and Youth Allowance provide access to the more generous student income bank provisions that are available to Austudy and youth allowance full-time students. They also might raise the fact that the Austudy and youth allowance have a more generous income-free area and that dependent youth allowees, for example, may be affected by the parental means test and also the fact that most full-time students do not qualify for newstart allowance. Customers' individual circumstances need to be considered, including their age, length of course and earnings. We do have a couple of examples which illustrate where a customer may be better off transferring to Austudy or where they may be better off on another payment.

Senator STOTT DESPOJA—We have also heard reports through the committee that students have had their benefits cut off without notification. Does that duty of care of Centrelink extend to ensuring that students have notification, that they are aware of those compliance issues and that after those benefits have been cut off somehow these students are not in dire financial circumstances?

Mrs Cornish—Certainly Centrelink does not routinely impose those on students without contacting a customer first. Centrelink guidelines are clear that in all cases all efforts are made to contact the customer before imposing a breach. In terms of trying to ensure that students are informed of their rights and obligations, we do this not only at the time they are granted income

support; every Centrelink letter that they receive subsequently will remind them about key messages about rights and obligations. We also have a range of targeted information products which we have brought along for the committee if you would like to see them. These include the life events booklets and individual information on each of the payments. We have a fact sheet, for example, on how students can avoid a debt. With student updates, I think the frequency of these is around every three months, which can go through a whole range of issues: changes to HECS, how Centrelink determines if study is full time, more information and reminders.

Senator STOTT DESPOJA—How do students access those particular leaflets? Are they mailed out with your regular updates that remind students of their obligations and rights, or are they things you pick up at your local Centrelink office?

Mrs Cornish—I would have to check to confirm, but I think they are available online.

Ms Hogg—They are online. And I think there is a publication as well. Most of the major programs have a flagship type publication. I will confirm that, but I am pretty sure that we produce one for students.

CHAIR—It was put to us this morning that perhaps one of the ways to improve the system might be to actually send a letter out to students when they get their HECS notice. Have you thought about that?

Ms Hogg—A letter with what sort of information?

CHAIR—Advertising updates or change of circumstances, a student newsletter from Centrelink. All students will get a notification of their HECS payment at some stage, I am not assuming in the first three months.

Ms Hogg—Wherever we can coincide our services with other departments' services or indeed the services that they receive from the institution at which they are studying is an opportunity for us to improve service.

CHAIR—Have you thought about that? Have you thought about linking in with the HECS notices?

Ms Hogg—We have certainly thought about linking in with the HECS claim processes and perhaps giving the student the opportunity to do the two things at once, particularly where they are dealing with the institution in terms of enrolment and making those claims. That is why we have on-campus facilities as well, working even more closely so that the student can actually do the two things at the same time. So, yes, I think it is a good idea.

CHAIR—I want to raise two case studies. I am not sure who should answer these. We have a situation where somebody presented us with evidence that they were 24 and in full-time study on youth allowance and became quite seriously sick and so had to relinquish their study. They went onto newstart, I am assuming because it was a greater benefit to them. Once they recovered they went back to their full-time study, but by that stage they were more than 25 years old and so lost the rent assistance they had had the year before. In that instance, when a person drops out of

their studies for those personal reasons, is there no discretion to be able to reinstate their rent assistance, or is it a hard and fast rule that once you are 25 that is it no matter what?

Ms Hogg—I might be able to answer that around the rules of rent assistance. Rent assistance is attached to the primary payment the person is receiving, so once the person moves onto Austudy rather than youth allowance or newstart they are no longer eligible for rent assistance. They would receive rent assistance with youth allowance or newstart.

CHAIR—Do you understand the circumstances I am describing?

Ms Hogg—Yes.

CHAIR—I am talking about a person aged 25 who is on youth allowance and rent assistance who gets sick, goes onto newstart, recovers from whatever it is—let us say a nervous breakdown—gets well again and goes back to full-time study. Is there no discretion, no sense of humanity, to realise that this person has not stopped studying for reasons other than an illness, or is it a hard and fast rule?

Ms Hogg—It is a hard and fast rule, because the rent assistance goes with whatever primary payment they are on.

CHAIR—I want to raise another example which is continually raised with me. If you have read the transcripts, you will know that this is about the 10th time I have raised this example. In a place like the Northern Territory, where CDU, for example, does not offer veterinary science, medicine or pharmacy—there is a whole range of courses you cannot do there—and students have to travel south to study in either Adelaide or Perth, they have put it to me that they are penalised. They would live at home if the course were offered in Darwin but, because it is not offered in Darwin, they have no choice but to go south, and therefore the youth allowance they get is means tested, which invariably means quite a deal of pressure on the family or pressure on them to work. My question to you is: has there been any consideration given to exempting students who do not have an offer to study the course at their home base? I do not mean by choice—that is, where they say they would prefer to do the medicine course at Flinders rather than Melbourne. I mean where they do not have a choice to study at their home base—that is, it is not offered and they have to go thousands of kilometres away to study. Across any of the departments has there ever been any thought to providing some flexibility in the way that is applied?

Ms Hogg—David, can you speak historically?

Mr Hazlehurst—No. I can talk about family tax benefit but I cannot talk about youth allowance.

CHAIR—So you are saying to me that that is the way it applies and there is no discretion in the system at all. Will there ever be some consideration given to looking at exemptions for people who might be in that situation?

Ms Bennett—In the provisions as they are, the assessment is, as you know, based on parental income. If, because of that, a student is not eligible then whether they are studying in their home state or have to travel is not considered because they do not get to the point of eligibility.

CHAIR—That is exactly my point. Let us take the example of pharmacy, because that is the example that is most often raised with me in Darwin. If kids could do pharmacy at CDU they would stay at home and would not bother applying for youth allowance; they would just stay at home because that is the way it is and they would prefer that. But, because they have to go interstate, they have to apply for youth allowance and, because the dual income is so low, there is a huge impost on both the student and the family. It is often put to me that, because the course is not offered at home, that is through no choice of their own. There is no flexibility in the system at all. Is that what you are saying?

Ms Bennett—I am saying there is an assessment on the basis of the parental income and if they are excluded by that then where they are studying is not considered.

CHAIR—It is irrelevant?

Ms Bennett—Yes.

Senator STOTT DESPOJA—What mechanisms are in place within Centrelink to review student complaints?

Ms Hogg—We have a group of staff around the country in what we call customer relationship units. We advertise the phone number for these groups and give customers the opportunity to ring the number and have their complaints investigated. We also survey our customers every six months on a national basis, and every month on a rolling basis by office, so that our local managers can get some direct feedback about the customers they serve but we can also see what our customers are saying on a national basis. We segment the feedback from those surveys. We look very carefully at each customer group and at the levels of satisfaction and the feedback they are giving.

Senator STOTT DESPOJA—Do you have any specific analysis of data relating to student income support? Has some kind of internal review or audit of student income support been done? Would it be available for the committee?

Ms Hogg—Periodically, we have internal audits focused on various programs and there would be an internal audit of all facets of the servicing to particular categories of payment et cetera. Quite often, that will involve feedback from the customers. At the office level we also run what we call value creation workshops. Those are really focus groups, where local management and staff invite specific customer groups—often groups of young people—in to talk to the staff. That is independently facilitated. It is the typical focus group arrangement where the staff do not say anything, but they listen and observe. It is a very good way for the people who are delivering the services to get direct feedback from the customers. We expect the local managers and staff to act on that feedback.

Senator STOTT DESPOJA—How much of the information in your answers to both my previous questions is publicly available or available to the committee—initially, in particular the survey and the complaints mechanism for students?

Ms Hogg—We can certainly get you information on the level of complaint that is coming through to the customer relationships units. We can certainly provide you with information on recent customer surveys. I believe the level of satisfaction overall from this group is about 80 per cent. I think our target is about 85 per cent overall, so we are not where we think we should be with students, although it has improved considerably over the last few years.

Senator STOTT DESPOJA—Can I just stop you there—‘where we think we should be with students’. I imagine it is difficult to get a 100 per cent rating with any particular group. Is that students as opposed to other recipients?

Ms Hogg—Yes.

Senator STOTT DESPOJA—Would you describe them as perhaps the worst—I don’t mean to use value laden language; perhaps the least best—in terms of the other clients with whom you deal, or is it a particular group?

Ms Hogg—I do not have a comparison, but they are certainly not the highest rate; they are probably the lowest rate, at about 80 per cent. Our highest rating group of customers who are satisfied with the services are retirees. Often, we find that the requirements of customers to deal with us—how much rigour there is in the compliance system—will often correlate with the amount of satisfaction. With our retirees there are obviously not a lot of requirements, except when they know there has been a change to notify Centrelink, but there are requirements with some of our other groups to either tell us things fortnightly and those sorts of things. That becomes a more difficult challenge for us to make sure that we are providing good services to those groups of customers.

Senator STOTT DESPOJA—I have one final question on Abstudy in particular. We have heard evidence from a number of groups—the NTEU in particular—as to concerns about service delivery in relation to Abstudy payments with the reduction in the number of Abstudy centres, from 14 to four, I think. Have you monitored the impact of that reduction? What has been the impression?

Ms Hogg—Mrs Cornish can give you some information on the evaluation of that consolidation.

Mrs Cornish—Can I have the question again?

Senator STOTT DESPOJA—The reduction in Abstudy centres was from 14 to four, I think. I am just checking the evidence that we received in the National Tertiary Education Union submission, but the general question relates to the difficulties in service delivery as a consequence of the reduction in those specific Abstudy centres over the last few years.

Mrs Cornish—I think some comments were made to the committee that may have given an inaccurate impression of the level and nature of consolidation of Centrelink services to students.

Certainly, it is not true say that Centrelink has removed student expertise from our customer service centres. In some locations we have made decisions to establish student processing centres of expertise to make sure that students can deal with specialist staff, particularly at peak processing times. That means that the students can access their payments faster. In relation to Abstudy, we have consolidated the processing of Abstudy payments into the four sites—area North Australia, area Central and North Queensland, area West New South Wales and area West Australia—but we still provide Abstudy services and outreach through our customer service centre network.

Senator STOTT DESPOJA—Thank you for that. I am happy to move on to other areas. I have a question particularly in light of today's evidence, but also more generally. Ms Carroll, can you explain why Austudy recipients do not get rent assistance?

Ms Carroll—When Youth Allowance was introduced, the rationale was that Austudy had a greater income-free area and that there was compensation in that income-free area. Therefore, even though youth allowance recipients had rent assistance available to them, Austudy was kept separate.

CHAIR—Is the Austudy payment more than youth allowance or is there a capacity to earn money?

Ms Carroll—It is the income-free area.

CHAIR—Their capacity to earn money is greater?

Ms Carroll—When it was introduced, there was the capacity to have a greater income-free area.

CHAIR—What is the income threshold now before your benefits are affected?

Ms Bennett—The income-free area for Youth Allowance is \$236 a fortnight.

CHAIR—What is it for Austudy?

Ms Bennett—For Austudy it is the same.

CHAIR—So that argument may no longer apply.

Senator STOTT DESPOJA—I am happy for you to see that.

CHAIR—Is it correct that that argument may no longer apply?

Ms Carroll—Certainly there have been changes to taper rates, income-free areas and those sorts of things since the original introduction of Youth Allowance. As my colleagues from DEST mentioned, on budget night there were some additional changes to those taper rates.

CHAIR—Will those changes to the taper rates apply to Youth Allowance and Austudy?

Ms Bennett—Yes.

CHAIR—So, therefore, the amount of money you are able to earn before your benefit is reduced is now the same for Youth Allowance and Austudy?

Ms Bennett—Yes.

Senator STOTT DESPOJA—Are you aware of any plans within the department to perhaps change this anomaly?

Ms Carroll—That is a decision for government.

Senator STOTT DESPOJA—Yes, perhaps that is a question better directed to government. I did not mean to put you in a difficult position with that question. I will move on from Austudy and rent assistance. Now that we have discovered the original rationale for the difference in rent assistance, could someone provide me with the rationale for the age of independence currently being set at 25 years of age.

Ms Bennett—I think you would have to direct that question to the minister.

CHAIR—So no reason was given at the time of the announcement? Does anyone remember?

Ms Bennett—I am sorry, Senator, but this was while it was under the responsibility of FaCS.

CHAIR—Could you take that on notice to see if you can find out whether a reason was given at the time of the announcement?

Ms Bennett—We will take that on notice.

Senator STOTT DESPOJA—The government has on occasions given responses to that question. I was curious as to whether or not there was a specific rationale or policy reason that was offered when clients asked why they were not entitled to access that benefit. That is a question that I am happy to redirect to the relevant minister.

I would now like to ask about scholarships. As you know, I have asked some of these questions previously through the estimates process and I want to build on some of the answers that have been provided to me. In response to one of my estimates questions, being E110-05, the answer that was given was that the basis for exempting fee waiver and fee pay scholarships from social security test is that the benefit of these scholarships is not discretionary cash for the use of the student. A student cannot use the value of a fee waiver or the value of a fee paid on their behalf to support themselves. Mr Wallace, can you elaborate on this? I am wondering if that is the only basis on which the decision was made. As I am sure you would be aware, there has been much debate through this committee as to Commonwealth learning scholarships, for example, not being subject to the income support test.

Mr Wallace—As you are probably aware from your previous questioning, for Social Security Act purposes most forms of income are considered within the income test. For the purposes of scholarships there are some specific exemptions to the definition in the Social Security Act. As

you are also aware from your question, the basis of the difference between those scholarships which are and are not considered income for social security purposes relates to the extent to which those scholarships are considered discretionary or otherwise. So the non-discretionary fee pay and fee waiver scholarships, as part of the 2004-05 budget, are exempt from the income test for social security purposes. There is a second category of scholarship also exempt—Commonwealth learning scholarships. These are exempted as part of the Higher Education Support Act 2003, which was designed to assist low-income, rural, regional and Indigenous students. Broadly, the basis for the difference in treatment of non-discretionary and discretionary scholarships is the extent to which a scholarship can be used to assist people with their current needs. The broad rationale is that where fees are being waived or exempt the student is not able to use that as they would income that they had earned or received for another purpose. They do not have discretion in the use of that income, whereas scholarships which provide cash to a student are considered more like income that another student may earn and are treated in the same way as earned income.

Senator STOTT DESPOJA—Why are the fee waiver and fee exempt scholarships exempt? You have given me the basis, but I am wondering whether an additional basis perhaps is the argument that, by exempting fee waiver and fee exempt scholarships, you encourage private benefactors and universities to cover student HECS or student fees. Is that one of the reasons?

Mr Wallace—It could be the effect of the current structure that that would encourage, I imagine—

Senator STOTT DESPOJA—It could be the effect of but is not necessarily the intent?

Mr Wallace—I would need to take on notice the intent.

Senator STOTT DESPOJA—Certainly. I am not meaning to put you in a difficult position but, as you would be aware, this is one of those issues on which we seem to have a united response in terms of submissions. You have heard the AVCC's evidence today, and no doubt you have seen their submission. You have heard the students. There does seem to be a difficulty understanding the discretionary basis argument. People are having a deal of difficulty and are wondering why there is this differentiation in the way that scholarships are treated.

Mr Wallace—The primary reason, as I understand it, is to seek to treat income over which students have discretion in the same way as income another student may earn is treated. So, for income test purposes, one student may earn an amount equivalent to a scholarship another student has been given on a cash basis, and that income would be treated in the same way for income test purposes. That, I understand, is the rationale for treating discretionary scholarships in the same way as other income.

Senator STOTT DESPOJA—I see. Another answer that was given to my estimates question No. E113-05, stated: 'The current income test treatment that applies to most discretionary cash scholarships was maintained because the recipients of these scholarships are able to use their cash payments to support themselves.' To which discretionary scholarships do current social security tests not apply? Can you give us an outline?

Mr Wallace—As I understand it, there are very few exemptions to the income test for discretionary scholarships, and they relate primarily to scholarships awarded outside Australia and which have been approved by the Minister for Family and Community Services under section 24A of the Social Security Act. As I understand it, there have been only three classes of scholarship exempt from the income test under that section of the act. We covered the Commonwealth Learning Scholarships earlier, which are discretionary and also exempt.

Senator STOTT DESPOJA—Doesn't this give recipients of Commonwealth Learning Scholarships an advantage over recipients of other discretionary cash scholarships?

Mr Wallace—Yes. It is one of the few discretionary cash scholarships which are not tested.

Senator STOTT DESPOJA—Is that fair?

CHAIR—Senator, that might not be a fair question.

Senator STOTT DESPOJA—I do not mean to give you unfair questions, but—

CHAIR—That is a comment about the government's policy, so I might have to step in and protect the officer.

Senator STOTT DESPOJA—I am just wondering how that policy difference is justified.

Mr Wallace—It was a decision of government taken as part of the Higher Education Support Act 2003.

Senator STOTT DESPOJA—I have a couple of other questions that arise out of my estimates committee questions, because it would not be fair to go over ground that I have already covered in a previous forum.

CHAIR—Could I ask a few questions and you can have a bit of a break?

Senator STOTT DESPOJA—I am happy to do that, but I am also wanting to ask the officers if I can put some questions on notice, given that I have written down the ones that relate to previous questions.

CHAIR—Can someone explain the rationale as to why the youth allowance and Austudy are indexed only once a year rather than twice a year like any other Centrelink benefit?

Ms Bennett—That is the provision that was made in 1998 when Youth Allowance was brought in.

CHAIR—So it is a policy decision?

Ms Bennett—It was a policy decision when it was created.

CHAIR—We have heard this morning that other Centrelink benefits are indexed by either CPI or the movements in the MTAW—whichever is the greater—but for Austudy and Youth Allowance it is always only by CPI. Is there a reason for that?

Ms Bennett—I cannot provide the history. I can only say that that is the provision in the legislation.

CHAIR—Ms Borthwick, in your opening statement you talked about the increase in participation rates in higher education. Has there been an increase in the retention rates at the same time?

Ms Borthwick—I think I might have to take that one on notice. I do not have those facts with me.

CHAIR—All right. Was the 2002 review of Youth Allowance an internal document or something that can be provided to the committee?

Ms Borthwick—That can be provided. It is a published document. We will send you a copy.

CHAIR—We heard this morning—and it is a pity that I do not have a transcript in front of me—that, as a result of budget impacts, people who are on a disability support pension who decide to take up full-time study could be disadvantaged by losing as much as \$70 a week. Have any of the departments done any analysis of the impact on people who might be accessing certain pensions already, like the DSP, of taking up full-time study?

Ms Bennett—I would need to take that on notice.

CHAIR—Do you have a spreadsheet or have you done work on what the budget announcement would mean for people on a DSP taking up full-time study?

Ms Bennett—The welfare to work package was a Department of Employment and Workplace Relations initiative, so they have done the work on these matters.

CHAIR—That is welfare to work. Do people who decide to go from welfare to study cross over into DEST?

Ms Bennett—That was part of that package.

CHAIR—Do such people cross over into DEST's area? Has there been no cross-portfolio collaboration about how people on the DSP who decide to take up full-time study rather than work would be impacted?

Ms Bennett—They could come under DEST's responsibility, if they commenced as Youth Allowance or Austudy recipients.

CHAIR—They will come under DEST's responsibility, won't they? Has DEST done any work on what the impact would be for someone on a DSP who decides to study full time?

Ms Borthwick—I am not aware of any work, but we will take that question on notice.

Senator STOTT DESPOJA—That has reminded me of the evidence provided by Bob Birrell and Ian Dobson from Monash University. You may be aware of their criticisms—I will direct this at Centrelink—in relation to the data that is publicly available on recipients of youth allowance and Austudy. Have you seen their criticisms in the transcript and, if so, how would you respond to them?

Ms Hogg—No, I have not seen them.

Senator STOTT DESPOJA—I am referring to not just the number of recipients of those two particular schemes but specifically the amount that people receiving those benefits are entitled to. Presumably, Centrelink or the department is in a position to disaggregate its own data so that you can show who gets how much. I wonder why that information is not available for parliamentary or public scrutiny, or is it available in a limited but not a specific form?

Ms Hogg—I am not aware that we produce that information on a routine basis from Centrelink's database. Certainly, if there were a specific question that required answering—for instance, who is on full rates and who is on reduced rates et cetera—we would be able to interrogate the database and provide that information through the department.

Senator STOTT DESPOJA—I request that information, please.

Mrs Cornish—Yes.

CHAIR—Perhaps we should ask you also specifically the proportion of recipients receiving less than the full amount of the youth allowance.

Ms Hogg—My understanding is that that would be the same sort of information.

CHAIR—Could we also have the number of students receiving youth allowance who have been assessed as either dependent or independent.

Ms Hogg—Yes. If you would like that sort of information, we can certainly see, with the criteria you have given, whether it is available and advise you of it. We would provide our results through the department.

Senator STOTT DESPOJA—I will read into the *Hansard* the following questions on notice: the number of undergraduates by each year, 18 to 24 and 25-plus, aggregated, who are in receipt of the youth allowance and receiving it as independents and others. Obviously, if *Hansard* is getting this, you do not need to write it all down, but I would be interested in this data for each year from 1999 to 2004: the number of undergraduates in receipt of youth allowance as independents by each year, 18 to 24 and 25-plus, by proportion of the full rate up to the full amount, or 100 per cent. I would like to know those in the 75 to 99 per cent range, the 50 to 74 per cent range, the 25 to 49 per cent range and the less than 25 per cent range; and, if available, the data for each year from 1999 to 2004.

I would like to know the numbers of undergraduates in receipt of youth allowance on grounds other than independence by each year 18 to 24 and 25-plus aggregated by proportion of full rate to 100 per cent, 75 to 99 per cent, 50 to 74 per cent, 25 to 49 per cent, less than 25 per cent, and again the data for each year 1999 to 2004.

Another issue that has been raised in front of this committee is that of semester work during summer periods not being counted towards student load. I wonder whether there is a reason for that and if that is something that has been looked at by the department. Ms Bennett, is that—

Ms Bennett—Yes, that is a question for us.

Senator STOTT DESPOJA—Given the changing nature of today's student population and students wanting to enter the work force more quickly, are we unnecessarily punishing them by not including that extra semester work into their—

Ms Bennett—Do you mean whether they count towards their degree?

Senator STOTT DESPOJA—Not necessarily towards their degree but in terms of their load for student income support. It can be read as whether it counts to their degree as well.

Ms Bennett—My understanding is that there are two universities—and I would have to get back to you on which ones they are—that have a three-semester structure that counts towards the full-time load in terms of income support. It is the choice of those two universities to structure their courses in that way.

Senator STOTT DESPOJA—I will double-check the original evidence on that. My understanding is that it was not being included in the student load and thus was not being used in determining their income support eligibility, but again that is based on previous submissions.

I asked a question of the Australian Vice Chancellors Committee on notice this morning so I have yet to receive their analysis, but I wonder whether you could outline what you think was achieved by the review of the higher education equity program.

Ms Borthwick—I cannot comment on that. Can we take it on notice?

Senator STOTT DESPOJA—Yes, that is fine. The cost of providing rent assistance to Austudy recipients is something that certainly some of us have done calculations on in the past when moving amendments in the chamber. Can you give an estimate of how much that would cost, or take that on notice and provide the committee with a figure, please?

Ms Carroll—We have provided the costs previously to a question by Senator Collins. The cost would be around \$26 million per year and that would be for about 15,000 students.

Senator STOTT DESPOJA—One of the estimates we had this morning in a submission from students, but also I think backed up by the Student Advisers Financial Network, was that living costs for students in Australia today average \$250 per week or roughly \$500 a fortnight, depending on which submission you refer to. Has the department done any inquiries or analysis as to what they consider the living costs of an average full-time student are today?

Ms Borthwick—It might be simpler if we get back to you on that one as well.

Senator STOTT DESPOJA—Sure.

CHAIR—This is not closely related, but in the letter that the committee secretariat received from Wayne Jackson, the Deputy Secretary of FaCS, it said:

Please contact Ms Kerry Flanagan, the Group Manager of Women and Youth, if you wish to discuss FACS attendance at the meeting.

Is Ms Flanagan involved in your area, Mr Hazlehurst?

Mr Hazlehurst—No, she is not.

CHAIR—I know her background.

Mr Hazlehurst—Ms Flanagan is now the group manager of the group that includes both the Office for Women and the youth bureau, those bits of youth related programs that do not relate to Youth Allowance remained with FaCS. I believe that, in the process of advising the committee about the machinery of government changes, the youth bureau took charge of doing that.

CHAIR—She would do everything on youth but youth allowance. Is that right?

Mr Hazlehurst—A range of programs, including things like the mentoring programs.

Ms Carroll—Reconnect, transition to independent living allowance.

Mr Hazlehurst—Youth roundtable.

Ms Bennett—They have a range of youth programs that are outside of the income support area.

CHAIR—I am trying to work out where it all fits.

Senator STOTT DESPOJA—Mr Wallace, I ask another question about scholarships—not the difference between the Commonwealth learning scholarships and others. I am curious about the decision to tax part-time APAs and wonder whether there are any moves within the department to change the taxation arrangements in relation to part-time APAs.

Mr Wallace—The taxation arrangements, as I understand it, would be an issue for the tax office and the Treasury.

Senator STOTT DESPOJA—Again, that is one of the issues that has been put forward. Again, I think there is universal agreement—and when I say ‘universal’, I mean vice-chancellors and students and representative organisations—suggesting that they do not believe it would be a large cost to exempt those part-time scholarships from income tax assessment or the counting of that as income for the purposes of taxation. Do you have a figure as to how much it would cost

to exempt those part-time scholarships? If you do not, would you please take on notice to do a calculation?

Mr Wallace—That is not something I have a figure on and again it would be a question best directed to Treasury or the tax office.

Senator STOTT DESPOJA—I will put that on notice. I am happy to provide my remaining questions on notice. I think that has covered most of my queries. Thank you.

CHAIR—That has probably covered the range of issues the committee and I had identified as well following our hearing. I thank all of you for coming today. Also, can you pass on our thanks to those officers who were responsible for putting together the submissions? They have been most helpful. Regarding the date by which we would like those questions answered, we cannot table the report at least until the week of 14 June. Could we have the answers before you get bombarded with estimates questions? That will give you about two weeks.

Ms Borthwick—We will get them to you by the 27th.

CHAIR—Thank you.

Subcommittee adjourned at 2.53 pm