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JH03/0120/CAB/5
15 April 2003

CABINET MINUTE

Submission JH03/0120 HIGHER EDUCATION REFORMS

1. Consistent with the principles endorsed in Cabinet Minute JH03/0029/CAB of 18 February 2003, the Cabinet agreed to the following suite of initiatives ('the reform initiatives') that produce a coherent policy framework which will underpin reforms to the Australian higher education sector, involving the following variations to resourcing for the Department of Education, Science and Training (DEST):

(a) Commonwealth Grant Scheme Initiatives:

(i) funding institutions according to their discipline mix from 2005 (Attachment B.1 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	-8.0	+8.0	+4.0
2005-06	-8.8	+8.8	+8.4
2006-07	-9.0	+9.0	+8.9

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(ii) increasing Commonwealth grant funding by 7.5 per cent over three years from 2005 (Attachment B.2 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+69.6	-69.6	-34.8
2005-06	+142.3	-142.3	-106.0
2006-07	+218.2	-218.2	-180.3

(iii) provision of a transition fund in 2005 (Attachment B.3 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+12.6	-12.6	-6.3
2005-06	0.0	0.0	-6.3
2006-07	0.0	0.0	0.0

(iv) provision of a loading for regional campuses from 2004 (Attachment B.4 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+27.9	-27.9	-14.0
2004-05	+30.3	-30.3	-29.1
2005-06	+31.5	-31.5	-30.9
2006-07	+32.9	-32.9	-32.2

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(v) conversion of marginally funded higher education places from 2005 (Attachment B.5 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+64.8	- 64.8	-32.4
2005-06	+118.7	-118.7	-91.8
2006-07	+164.1	-164.1	-141.4

(vi) provision of growth places from 2007 (Attachment B.5 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	0.0	0.0	0.0
2006-07	+10.9	-10.9	-5.5

(vii) introduction of funding agreements between the Commonwealth and higher education institutions from 2005 (Attachments B.6 and H to the Submission refer), with:

(A) the agreements being made on a fixed triennium basis;

(B) reports to be provided to the Cabinet on implementation of and outcomes from the reform initiative before arrangements for each new triennium from 2008 are made and before additional funding is committed; and

(C) Cabinet agreement to the Commonwealth's strategy for negotiating with universities to be sought prior to the commencement of negotiations;

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(viii) new arrangements for industry funded places in public higher education institutions from 2005 (Attachment B.1 to the Submission refers);

(b) Governance and Workplace Relations Initiatives:

(i) development and implementation of a set of National Protocols on Governance ('the protocols') in higher education institutions (Attachment B.7 to the Submission refers), with the Minister for Education, Science and Training ('the Minister') to consult the Minister for Finance and Administration on the protocols to ensure that they reflect best practice in corporate governance;

(ii) making access by any higher education institution to the Commonwealth grant funding referred to in paragraph 1(a)(ii) above conditional upon:

(A) the institution agreeing to and implementing those aspects of the protocols that are within the institution's legal power to implement;

(B) the State or Territory in which the institution is based agreeing to and implementing those aspects of the protocols within the power of the State or Territory, including passage of relevant legislation; and

(C) the institutions complying with the Commonwealth's workplace relations policies, and particularly not precluding as part of enterprise agreements the option of negotiating an Australian Workplace Agreement;

(iii) with full details of how the conditions referred to in paragraphs 1(b)(ii) above will be given full effect, including how they will interact with the funding agreements referred to in paragraph 1(a)(vii) above, to be settled between the Prime Minister, the Treasurer, the Minister for Finance and Administration and the Minister;

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(iv) amendments to provisions of the Australian National University Act 1991 and the Maritime College Act 1978 which enact the constitutions of the councils of the Australian National University and the Australian Maritime College (Attachment B.7 to the Submission refers);

(v) introduction of a Workplace Productivity Programme from 2006 (Attachment B.8 to the Submission refers), conditional on the Department of Finance and Administration (Finance), the Department of Employment and Workplace Relations and DEST, agreeing on stringent criteria and assessment processes to determine access to programme funding:

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	+27.3	-27.3	-13.7
2006-07	+27.9	-27.9	-27.6

with the Minister to settle the criteria and assessment processes in consultation with the Prime Minister, the Treasurer and the Minister for Finance and Administration;

(vi) amendment of the *Workplace Relations Act 1996* to protect vulnerable third parties from industrial action (Attachment B.8 to the Submission refers); and

(vii) establishment of an Association of Governing Bodies of Australian Universities to promote professional development opportunities for members of university councils (Attachment B.7 to the Submission refers);

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(c) National Priority Initiatives:

(i) increasing the Commonwealth grant for teaching places from 2005 (Attachment B.9 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+26.6	-26.6	-13.3
2005-06	+27.1	-27.1	-26.9
2006-07	+27.7	-27.7	-27.4

(ii) increasing the Commonwealth grant for nursing places from 2004 (Attachment B.10 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+9.8	-9.8	-4.9
2004-05	+10.0	-10.0	-9.9
2005-06	+10.2	-10.2	-10.1
2006-07	+10.4	-10.4	-10.3

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(iii) creation of 745 new places and designation of 655 existing places as national priority places for public and private institutions from 2005 (Attachment B.11 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+7.2	-7.2	-3.6
2005-06	+7.4	-7.4	-7.3
2006-07	+7.5	-7.5	-7.4

(iv) creation of 210 additional nursing places in public institutions from 2004 (Attachment B.10 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+2.1	-2.1	-1.1
2004-05	+3.8	-3.8	-2.9
2005-06	+5.1	-5.1	-4.4
2006-07	+6.1	-6.1	-5.6

(d) Student Financing Initiatives:

(i) increasing the maximum number of fee paying students in Commonwealth funded courses (other than medical courses) from 25 per cent to 50 per cent from 2005 (Attachment B.1 to the Submission refers);

(ii) partial deregulation of medical places, with restrictions continuing on the overall level of intake and the proportion of places that can be full-fee-paying (Attachment B.1 to the Submission refers); and

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(iii) new Higher Education Contribution Scheme, HECS-HELP, arrangements from 2005 including partial fee deregulation, revised repayment thresholds and reduced discounts (Attachment B.12 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+12.6	+17.6	+6.3
2005-06	+104.0	+21.7	+5.7
2006-07	+74.5	+25.0	+1.6

(e) Scholarship Initiatives:

(i) introduction of a Commonwealth Education Costs Scholarships programme from 2004 (Attachment B.16 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+5.0	-5.0	-2.5
2004-05	+15.4	-15.4	-10.2
2005-06	+26.3	-26.3	-20.8
2006-07	+37.7	-37.7	-32.0

with taxation and social security provisions to be on the normal basis for higher education scholarships;

(ii) introduction of a Commonwealth Accommodation Scholarships Programme from 2004 (Attachment B.17 to the Submission refers):

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(A) offering 2,000 scholarships per year at $4,000 each for students from rural and regional areas, allocated on the basis of academic merit and targeted to increasing participation and choice;

(B) with taxation and social security provisions to be on the normal basis for higher education scholarships; and

(C) with costings to be agreed between the Minister and the Minister for Finance and Administration;

(iii) growth (in line with population growth) in the number of Australian Postgraduate Awards from 2006 (Attachment B.18 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	+0.2	-0.2	-0.1
2006-07	+0.6	-0.6	-0.4

(iv) introduction of an Indigenous Staff Scholarships programme from 2004 (Attachment B.19 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+0.2	-0.2	-0.1
2004-05	+0.2	-0.2	-0.2
2005-06	+0.2	-0.2	-0.2
2006-07	+0.2	-0.2	-0.2

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(f) Equity Initiatives:

(i) increasing Indigenous Support Funding from 2005 (Attachment B.20 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+1.7	-1.7	-0.8
2005-06	+3.4	-3.4	-2.6
2006-07	+5.3	-5.3	-4.4

(ii) establishment and ongoing administration for a Indigenous Higher Education Advisory Council from 2003 (Attachment B.21 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+0.3	-0.3	-0.1
2004-05	+0.3	-0.3	-0.3
2005-06	+0.3	-0.3	-0.3
2006-07	+0.3	-0.3	-0.3

(iii) modification of the Higher Education Equity Programme from 2005 (Attachment B.22 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+2.3	-2.3	-1.1
2005-06	+2.3	-2.3	-2.3
2006-07	+2.4	-2.4	-2.3

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(iv) increasing the funds available through the Students with Disabilities Programme from 2005 (Attachment B.23 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+1.1	-1.1	-0.5
2005-06	+1.1	-1.1	-1.1
2006-07	+1.1	-1.1	-1.1

(g) Teaching Initiatives:

(i) introduction of a Learning and Teaching Performance Fund from 2006 (Attachment B.24 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	+54.7	-54.7	-27.3
2006-07	+83.8	-83.8	-69.3

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(ii) establishment and administration of a National Institute for Learning and Teaching in Higher Education from 2006 (Attachment B.25 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	+2.5	-2.5	-1.3
2006-07	+2.6	-2.6	-2.5

(iii) funding for the National Institute for Learning and Teaching in Higher Education to provide grants and undertake research and analysis from 2006 (Attachment B.25 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	+19.4	-19.4	-9.7
2006-07	+19.8	-19.8	-19.6

(iv) revised Australian Awards for University Teaching from 2006 (Attachment B.26 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	+2.7	-2.7	-1.3
2006-07	+2.7	-2.7	-2.7

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(h) Research Initiatives:

(i) evaluation of the Knowledge and Innovation Reforms in 2003 (Attachment B.27 to the Submission refers);

(ii) establishment of a Research Infrastructure Taskforce in 2003 (Attachment B.27 to the Submission refers);

(iii) Ministerial direction to the Australian Research Council (ARC) to use some of the increase in funds received by the ARC under Backing Australia's Ability to cover the costs of Chief Investigators' salaries (Attachment B.27 to the Submission refers);

(iv) amendment of the Australian Research Council Act 1991 to improve the ARC's governance and administration of grants;

(v) establishment of a taskforce to examine the scope for closer collaboration between universities and major publicly funded research agencies and to investigate alternative funding models to develop excellence across the national research effort, which will subsume the Review of Access to Government Funded Research by Public Sector Research Agencies agreed to in Cabinet Minute JH02/0306/CAB of 8 October 2002 (Attachment B.27 to the Submission refers); and

(vi) amalgamation of the Australian Institute of Marine Science with James Cook University (Attachment B.31 to the Submission refers);

(i) Collaboration, Innovation and Infrastructure (CII) Initiatives, involving the establishment of a CII Fund of $20 million, to be evenly distributed over three years from 2005, to foster structural reform, institutional specialisation and rationalisation and effective collaboration between universities and other education providers in course provision and related areas, with funding to be allocated to institutions on a competitive basis and with a termination date of 30 December 2007;

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(j) Quality Initiatives:

(i) funding for the Australian Universities Quality Agency to undertake overseas audits (Attachment B.37 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+0.6	-0.6	-0.3
2005-06	+0.6	-0.6	-0.6
2006-07	+0.6	-0.6	-0.6

(ii) increased funding to support the promotion and development of the Graduate Skills Assessment Programme (Attachment B.38 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+0.3	-0.3	-0.1
2005-06	+0.3	-0.3	-0.3
2006-07	+0.3	-0.3	-0.3

(iii) continued funding for the Graduate Destination Survey and the Course Experience Questionnaire (Attachment B.38 to the Submission refers); and

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(k) Other Initiatives:

(i) provision to Marcus Oldham College of a payment in 2004 to address the historical anomaly that results from its receipt of Commonwealth funding (Attachment B.39 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+2.1	-2.1	-1.1
2004-05	0.0	0.0	-1.1
2005-06	0.0	0.0	0.0
2006-07	0.0	0.0	0.0

(ii) development and ongoing support for a Higher Education Information Management System (Attachment B.40 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+4.3	-4.3	-2.1
2004-05	+5.4	-5.4	-4.9
2005-06	+5.1	-5.1	-5.3
2006-07	+5.3	-5.3	-5.2

(iii) support for the promotion of the reform initiatives (Attachment B.41 to the Submission refers) with resource costs to be absorbed by the Education, Science and Training portfolio; and

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(iv) support for costs associated with the implementation and ongoing administration of the reform initiatives, for public higher education institutions and DEST (Attachment B.42 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+10.2	-10.2	-5.1
2004-05	0.0	0.0	-5.1
2005-06	0.0	0.0	0.0
2006-07	0.0	0.0	0.0

with the Minister to bring forward in the context of the 2005-06 Budget, proposals to fund these costs beyond 2004-05 based on implementation experience.

2. The Cabinet also agreed to the introduction in 2005 of programmes along the lines of the Fee Paying Higher Education Loan Programme (FEE-HELP) (Attachment B.13 to the Submission refers) and the Overseas Study Higher Education Loan Programme (OS-HELP) (Attachment B.15 to the Submission refers) with Senior Ministers and the Minister in accordance with the delegation given by Cabinet Minute JH03/0164/CAB of 15 April 2003 to settle which of the following options is to be adopted as the charging regime for the loans:

(a) a 3.5 per cent per annum real interest charge for ten years, reverting to Consumer Price Index indexation only at the end of the ten-year period;

(b) a 30 per cent up-front loan fee; and

(c) a 15 per cent up-front loan fee.

3. The Cabinet further agreed that the measures outlined in paragraphs 1 and 2 above, which require ongoing funding beyond 2010-2011 be subject to review by October 2009.

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4. Taking into account Cabinet Minute JH03/0029/CAB of 18 February 2003, which endorsed the objective of ensuring that course provision addresses labour market needs in priority areas such as nursing and teaching ('the objective'), the Cabinet further agreed:

(a) that the National Priority Initiatives outlined in paragraph 1(c) above would achieve the objective; and

(b) not to proceed with the proposals to decrease student contributions in the teaching and nursing disciplines (Attachments B.9 and B.10 to the Submission refer), noting that the proposals could have implications for the broader HECS framework.

5. The Cabinet further agreed that DEST provide it with annual audited reports on the level of outstanding student debts and changes in doubtful debt.

6. With respect to the issue of the termination of funding for the System Infrastructure Initiative and Research Infrastructure Block Grants Scheme on 30 June 2006, the Cabinet noted that, in accordance with Cabinet Minute JH03/0079/CAB/3 of 15 April 2003, the Budget Statements will include an announcement that the Government will be commencing work on evaluating the whole Backing Australia's Ability programme.

7. The Cabinet also noted that the Minister will seek authority for new legislation to be introduced into the Parliament to:

(a) replace the *Higher Education Funding Act 1998*; and

(b) ensure that membership of student organisations is optional and universities do not collect compulsory fees that are not directly related to course provision.

8. The Cabinet further noted that:

(a) the costings provided in the Submission ('the costings') are estimates based on 2001 higher education data and assumptions related to expected behavioural patterns and indexation over a ten-year period;

(b) the costings have been agreed with Finance; and

(c) actual costs will vary from the costings.

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9. The Cabinet further noted:

(a) the financial risks which the reform initiatives entail (Attachment C to the Submission refers);

(b) the long-term financial implications of the loan schemes referred to in paragraphs 1(d) and 2 above, including the public debt impact (Attachment D to the Submission refers);

(c) the examples of student debt under the new reforms (Attachment E to the Submission refers);

(d) the modelling of reduced subsidies, as requested in Minute JH02/0491/SM of 12 December 2002 (Attachment F to the Submission refers);

(e) the options proposed by the Department of the Prime Minister and Cabinet, Treasury and Finance (Attachment G to the Submission refers);

(f) the funding conditions for higher education institutions that will be part of the reform package (Attachment H to the Submission refers); and

(g) the implementation schedule for the reform package (Attachment I to the Submission refers).

10. The Cabinet further noted that the Minister will write to the Treasurer to request that he investigate taxation regimes in Australia and comparable overseas countries focusing on incentives for industry to invest in higher education.

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Secretary to Cabinet

(This Minute supersedes Cabinet Minutes JH03/0120/ER of 24 March 2003, JH03/0120/ER/2 of 25 March 2003, JH03/0120/ER/3 of 1 April 2003 and JH03/0120/ER/4 of 10 April 2003.)

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JH03/0120/ER/4
10 April 2003

THIS MINUTE REQUIRES CABINET ENDORSEMENT

CABINET MINUTE

EXPENDITURE REVIEW COMMITTEE

Submission JH03/0120 HIGHER EDUCATION REFORMS

1. Further to Cabinet Minute JH03/0120/ER/3 of 1 April 2003, the Committee noted the letter dated 9 April 2003 from the Minister for Education, Science and Training ('the Minister') to the Treasurer on further options for the Fee Paying Higher Education Loan Programme (FEE-HELP) and the Overseas Study Higher Education Loan Programme (OS-HELP) loan fees and tax deductibility arrangements.

2. The Committee agreed that the Minister, as soon as possible, report back to the Treasurer with information (to be developed by the Department of Treasury, the Department of Finance and Administration, and the Department of Education, Science and Training) on the financial implications of the following options:

(a) a 3.5 per cent per annum real interest charge for ten years, reverting to Consumer Price Index indexation only at the end of the ten-year period;

(b) a 30 per cent up-front loan fee; and

(c) a 15 per cent up-front loan fee.

3. The Committee also agreed, in relation to the report referred to in paragraph 2 above, that:

(a) the information on the options outlined in paragraphs 2(a) and 2(b) above cover the scenario where course fees are tax deductible and the scenario where course fees are not tax deductible; and

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(b) the information on the option outlined in paragraph 2(c) above cover only the scenario where course fees are not tax deductible.

4. The Committee further agreed that the report referred to in paragraph 2 above include analysis of the impact of each option on:

(a) underlying cash, fiscal balance and operating results over the period until 2012-13;

(b) public debt interest foregone over the period until 2012-13;

(c) total debt incurred over the period until 2012-13;

(d) doubtful debt incurred over the period until 2012-13;

(e) the proportion of doubtful debt; and

(f) students eligible to receive a tax deduction, taking into account the need for such students to be engaging in work-related education, at marginal tax rates of:

(i) 15 per cent;

(ii) 30 per cent; and

(iii) 48.5 per cent.

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JH03/0120/ER/3
1 April 2003

THIS MINUTE REQUIRES CABINET ENDORSEMENT

CABINET MINUTE

EXPENDITURE REVIEW COMMITTEE

Submission JH03/0120 HIGHER EDUCATION REFORMS

1. Further to paragraph 1(d)(iv) of Cabinet Minute JH03/00120/ER/2, the Committee noted the letter dated 31 March 2003 from the Minister for Education, Science and Training ('the Minister') to the Prime Minister on alternative arrangements for FEE-HELP and OS-HELP loan schemes.

2. The Committee agreed that the arrangements referred to in paragraph 1 above be settled between the Treasurer and the Minister, with reference to the Ad Hoc (Revenue) Committee if necessary.

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Secretary to Cabinet

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JH03/0120/ER/2
25 March 2003

THIS MINUTE REQUIRES CABINET ENDORSEMENT

CABINET MINUTE

EXPENDITURE REVIEW COMMITTEE

Submission JH03/0120 HIGHER EDUCATION REFORMS

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1. Consistent with the principles endorsed in Cabinet Minute JH03/0029/CAB of 18 February 2003, the Committee agreed to the following suite of initiatives ('the reform initiatives') that produce a coherent policy framework which will underpin reforms to the Australian higher education sector, involving the following variations to resourcing for the Department of Education, Science and Training (DEST):

(a) Commonwealth Grant Scheme initiatives:

(i) funding institutions according to their discipline mix from 2005 (Attachment B.1 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	-8.0	+8.0	+4.0
2005-06	-8.8	+8.8	+8.4
2006-07	-9.0	+9.0	+8.9

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(ii) increase Commonwealth grant funding by 7.5 per cent over three years from 2005 (Attachment B.2 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+69.6	-69.6	-34.8
2005-06	+142.3	-142.3	-106.0
2006-07	+218.2	-218.2	-180.3

(iii) provision of a transition fund in 2005 (Attachment B.3 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+12.6	-12.6	-6.3
2005-06	0.0	0.0	-6.3
2006-07	0.0	0.0	0.0

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(iv) provision of a loading for regional campuses from 2004 (Attachment B.4 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+27.9	-27.9	-14.0
2004-05	+30.3	-30.3	-29.1
2005-06	+31.5	-31.5	-30.9
2006-07	+32.9	-32.9	-32.2

(v) conversion of marginally funded higher education places from 2005 (Attachment B.5 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+64.8	- 64.8	-32.4
2005-06	+118.7	-118.7	-91.8
2006-07	+164.1	-164.1	-141.4

(vi) provision of growth places from 2007 (Attachment B.5 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	0.0	0.0	0.0
2006-07	+10.9	-10.9	-5.5

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(vii) introduction of funding agreements between the Commonwealth and higher education institutions from 2005 (Attachments B.6 and H to the Submission refer) with:

(A) the agreements being made on a fixed triennium basis;

(B) reports to be provided to Cabinet on implementation of and outcomes from the reform initiative before arrangements for each new triennium from 2008 are made and before additional funding is committed; and

(C) Cabinet agreement to the Commonwealth's strategy for negotiating with universities to be sought prior to the commencement of negotiations; and

(viii) new arrangements for industry funded places in public higher education institutions from 2005 (Attachment B.1 to the Submission refers);

(b) Governance and Workplace Relations Initiatives:

(i) development and implementation of a set of National Protocols on Governance ('the protocols') in higher education institutions (Attachment B.7 to the Submission refers), with the Minister for Education, Science and Training ('the Minister') to consult the Minister for Finance and Administration on the protocols to ensure that they reflect best practice in corporate governance;

(ii) making access by any higher education institution to the Commonwealth grant funding referred to in paragraph 1(a)(ii) above conditional upon:

(A) the institution agreeing to and implementing those aspects of the protocols that are within the institution's legal power to implement; and

(B) the state or territory in which the institution is based agreeing to and implementing those aspects of the protocols within the power of the state or territory including passage of relevant legislation;

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(iii) the Minister to provide the Prime Minister, the Treasurer and the Minister for Finance and Administration, before the presentation of the 2003-04 Budget, with full details of how the conditions referred to in paragraph 1(b)(ii)(A) and 1(b)(ii)(B) above will be given full effect, including how they will interact with the funding agreements referred to in paragraph 1(a)(vii) above;

(iv) amendments to provisions of the Australian National University Act 1991 and the Maritime College Act 1978 which enact the constitutions of the councils of the Australian National University and the Australian Maritime College (Attachment B.7 to the Submission refers);

(v) introduction of a Workplace Productivity Programme from 2006 (Attachment B.8 to the Submission refers), conditional on the Department of Finance and Administration (Finance), the Department of Employment and Workplace Relations and the Department of Education, Science and Training (DEST), agreeing on stringent criteria and assessment processes to determine access to programme funding:

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	+27.3	-27.3	-13.7
2006-07	+27.9	-27.9	-27.6

with the Minister, as soon as possible, to report back to the Committee on the agreed criteria and assessment processes;

(vi) amendment of the *Workplace Relations Act 1996* to protect vulnerable third parties from industrial action (Attachment B.8 to the Submission refers); and

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(vii) establishment of an Association of Governing Bodies of Australian Universities to promote professional development opportunities for members of university councils (Attachment B.7 to the Submission refers);

(c) National Priority Initiatives:

(i) increasing the Commonwealth grant for teaching places from 2005 (Attachment B.9 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+26.6	-26.6	-13.3
2005-06	+27.1	-27.1	-26.9
2006-07	+27.7	-27.7	-27.4

(ii) increasing the Commonwealth grant for nursing places from 2004 (Attachment B.10 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+9.8	-9.8	-4.9
2004-05	+10.0	-10.0	-9.9
2005-06	+10.2	-10.2	-10.1
2006-07	+10.4	-10.4	-10.3

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(iii) creation of 745 new places and designation of 655 existing places as national priority places for public and private institutions from 2005 (Attachment B.11 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+7.2	-7.2	-3.6
2005-06	+7.4	-7.4	-7.3
2006-07	+7.5	-7.5	-7.4

(iv) creation of 210 additional nursing places in public institutions from 2004 (Attachment B.10 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+2.1	-2.1	-1.1
2004-05	+3.8	-3.8	-2.9
2005-06	+5.1	-5.1	-4.4
2006-07	+6.1	-6.1	-5.6

(d) Student Financing Initiatives:

(i) increasing the maximum number of fee paying students in Commonwealth funded courses (other than medical courses) from 25 per cent to 50 per cent from 2005 (Attachment B.1 to the Submission refers);

(ii) partial deregulation of medical places, with restrictions continuing on the overall level of intake and the proportion of places that can be full-fee-paying (Attachment B.1 to the Submission refers);

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(iii) new Higher Education Contribution Scheme, HECS-HELP, arrangements from 2005 including partial fee deregulation, revised repayment thresholds and reduced discounts (Attachment B.12 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+12.6	+17.6	+6.3
2005-06	+104.0	+21.7	+5.7
2006-07	+74.5	+25.0	+1.6

(iv) introduction in 2005 of the following programmes with the Minister to bring back to the Committee, as soon as possible, an option to apply real interest rates instead of a 30 per cent loan fee, to be developed by officials from DEST, Treasury, Finance and the Australian Taxation Office (ATO):

(A) a programme along the lines of the FEE-HELP programme (Attachment B.13 to the Submission refers); and

(B) a programme along the lines of the OS-HELP programme (Attachments B.13 and B.15 to the Submission refer);

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(e) Scholarship Initiatives:

(i) introduction of a Commonwealth Education Costs Scholarships (CECS) programme from 2004 (Attachments B.16 and B.17 to the Submission refer):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+5.0	-5.0	-2.5
2004-05	+15.4	-15.4	-10.2
2005-06	+26.3	-26.3	-20.8
2006-07	+37.7	-37.7	-32.0

with taxation and social security provisions to be on the normal basis for higher education scholarships;

(ii) introduction of a Commonwealth Accommodation Scholarships Programme from 2004 (Attachment B.17 to the Submission refers):

(A) offering 2,000 scholarships per year at $4,000 each for students from rural and regional areas, allocated on the basis of academic merit and targeted to increasing participation and choice;

(B) with taxation and social security provisions to be on the normal basis for higher education scholarships; and

(C) with costings to be agreed between the Minister and the Minister for Finance and Administration;

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(iii) growth (in-line with population growth) in the number of Australian Postgraduate Awards from 2006 (Attachment B.18 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	+0.2	-0.2	-0.1
2006-07	+0.6	-0.6	-0.4

(iv) introduction of an Indigenous Staff Scholarships programme from 2004 (Attachment B.19 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+0.2	-0.2	-0.1
2004-05	+0.2	-0.2	-0.2
2005-06	+0.2	-0.2	-0.2
2006-07	+0.2	-0.2	-0.2

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(f) Equity Initiatives:

(i) increasing Indigenous Support Funding from 2005 (Attachment B.20 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+1.7	-1.7	-0.8
2005-06	+3.4	-3.4	-2.6
2006-07	+5.3	-5.3	-4.4

(ii) establishment and ongoing administration for a Indigenous Higher Education Advisory Council from 2003 (Attachment B.21 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+0.3	-0.3	-0.1
2004-05	+0.3	-0.3	-0.3
2005-06	+0.3	-0.3	-0.3
2006-07	+0.3	-0.3	-0.3

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(iii) modification of the Higher Education Equity Programme from 2005 (Attachment B.22 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+2.3	-2.3	-1.1
2005-06	+2.3	-2.3	-2.3
2006-07	+2.4	-2.4	-2.3

(iv) increasing the funds available through the Students with Disabilities Programme from 2005 (Attachment B.23 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+1.1	-1.1	-0.5
2005-06	+1.1	-1.1	-1.1
2006-07	+1.1	-1.1	-1.1

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(g) Teaching Initiatives:

(i) introduction of a Learning and Teaching Performance Fund from 2006 (Attachment B.24 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	+54.7	-54.7	-27.3
2006-07	+83.8	-83.8	-69.3

(ii) establishment and administration of a National Institute for Learning and Teaching in Higher Education from 2006 (Attachment B.25 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	+2.5	-2.5	-1.3
2006-07	+2.6	-2.6	-2.5

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(iii) funding for the National Institute for Learning and Teaching in Higher Education to provide grants and undertake research and analysis from 2006 (Attachment B.25 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	+19.4	-19.4	-9.7
2006-07	+19.8	-19.8	-19.6

(iv) revised Australian Awards for University Teaching from 2006 (Attachment B.26 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	+2.7	-2.7	-1.3
2006-07	+2.7	-2.7	-2.7

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(h) Research Initiatives:

(i) evaluation of the Knowledge and Innovation Reforms in 2003 (Attachment B.27 to the Submission refers);

(ii) establishment of a Research Infrastructure Taskforce in 2003 (Attachment B.27 to the Submission refers);

(iii) Ministerial direction to the Australian Research Council (ARC) to use some of the increase in funds received by the ARC under Backing Australia's Ability to cover the costs of Chief Investigators' salaries (Attachment B.27 to the Submission refers);

(iv) amendment of the *Australian Research Council Act 1991* to improve the ARC's governance and administration of grants;

(v) establishment of a taskforce to examine the scope for closer collaboration between universities and major publicly funded research agencies and to investigate alternative funding models to develop excellence across the national research effort, which will subsume the Review of Access to Government Funded Research by Public Sector Research Agencies agreed to in Cabinet Minute JH02/0306/CAB of 8 October 2002 (Attachment B.27 to the Submission refers); and

(vi) amalgamation of the Australian Institute of Marine Science with James Cook University (Attachment B.31 to the Submission refers);

(i) Collaboration, Innovation and Infrastructure (CII) Initiatives, involving the establishment of a CII Fund of $20 million, to be evenly distributed over three years from 2005, to foster structural reform, institutional specialisation and rationalisation and effective collaboration between universities and other education providers in course provision and related areas, with funding to be allocated to institutions on a competitive basis and with a termination date of 30 December 2007;

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(j) Quality Initiatives:

(i) funding for the Australian Universities Quality Agency to undertake overseas audits (Attachment B.37 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+0.6	-0.6	-0.3
2005-06	+0.6	-0.6	-0.6
2006-07	+0.6	-0.6	-0.6

(ii) increased funding to support the promotion and development of the Graduate Skills Assessment Programme (Attachment B.38 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	0.0	0.0	0.0
2004-05	+0.3	-0.3	-0.1
2005-06	+0.3	-0.3	-0.3
2006-07	+0.3	-0.3	-0.3

(iii) continued funding for the Graduate Destination Survey and the Course Experience Questionnaire (Attachment B.38 to the Submission refers); and

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(k) Other Initiatives:

(i) provision to Marcus Oldham College of a payment in 2004 to address the historical anomaly that results from its receipt of Commonwealth funding (Attachment B.39 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+2.1	-2.1	-1.1
2004-05	0.0	0.0	-1.1
2005-06	0.0	0.0	0.0
2006-07	0.0	0.0	0.0

(ii) development and ongoing support for a Higher Education Information Management System (Attachment B.40 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+4.3	-4.3	-2.1
2004-05	+5.4	-5.4	-4.9
2005-06	+5.1	-5.1	-5.3
2006-07	+5.3	-5.3	-5.2

(iii) support the promotion of the reform initiatives (Attachment B.41 to the Submission refers) with resource costs to be absorbed by the portfolio; and

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(iv) support for costs associated with the implementation and ongoing administration of the reform initiatives for public higher education institutions and DEST (Attachment B.42 to the Submission refers):

	Resourcing ($ million)	Impact on fiscal balance ($ million)	Impact on underlying cash balance ($ million)
2003-04	+10.2	-10.2	-5.1
2004-05	0.0	0.0	-5.1
2005-06	0.0	0.0	0.0
2006-07	0.0	0.0	0.0

with the Minister to bring forward in the context of the 2005-06 Budget, proposals to fund these costs beyond 2004-05 based on implementation experience.

2. The Committee also agreed that the measures outlined in paragraphs 1(a) to 1(k) above, which require ongoing funding beyond 2010-2011 be subject to a review by October 2009.

3. The Committee:

(a) noted Cabinet's previous agreement (Cabinet Minute JH03/0029/CAB of 18 February 2003 refers) to ensure that course provision addresses labour market needs in priority areas such as nursing and teaching; but

(b) further agreed:

(i) that the measures outlined in paragraph 1(c) above would achieve the objective referred to in paragraph 3(a) above; and

(ii) not to proceed with the proposals to decrease student contributions in the teaching and nursing disciplines (Attachments B.9 to B.10 to the Submission refer), further noting that the proposals could have implications for the broader HECS framework.

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4. The Committee further agreed that DEST provide annual audited reports to the Cabinet on the level of outstanding student debts and changes in doubtful debt.

5. With respect to the issue of the termination of funding for the System Infrastructure Initiative and Research Infrastructure Block Grants Scheme on 30 June 2006, the Committee also noted its previous agreement (Cabinet Minute JH03/0079/ER of 18 March 2003 refers) that the Budget Statements include an announcement that the Government will be commencing work on evaluating the whole Backing Australia's Ability programme.

6. The Committee further noted that the Minister will seek authority for new legislation to be introduced into the Parliament to:

(a) replace the *Higher Education Funding Act 1998*; and

(b) ensure that membership of student organisations is optional and universities do not collect compulsory fees that are not directly related to course provision.

7. The Committee further noted that:

(a) the costings provided in the Submission ('the costings') are estimates based on 2001 higher education data, and assumptions related to expected behavioural patterns and indexation over a ten-year period;

(b) the costings have been agreed with Finance; and

(c) actual costs will vary from the costings.

8. The Committee further noted:

(a) the financial risks which the reform initiatives entail (Attachment C to the Submission refers);

(b) the long-term financial implications of each loan scheme referred to in paragraph 1(d) above, including the public debt impact (Attachment D to the Submission refers);

(c) the examples of student debt under the new reforms (Attachment E to the Submission refers);

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(d) the modelling of reduced subsidies as requested in Minute JH02/0491/SM of 12 December 2002 (Attachment F to the Submission refers);

(e) the options proposed by the Department of the Prime Minister and Cabinet, Treasury and Finance (Attachment G to the Submission refers);

(f) the funding conditions for higher education institutions that will be part of the reform package (Attachment H to the Submission refers); and

(g) the implementation schedule for the reform package (Attachment I to the Submission refers).

9. The Committee further noted that the Minister will write to the Treasurer to request he investigate taxation regimes in Australia and comparable overseas countries focussing on incentives for industry to invest in higher education.

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JH03/0120/ER
24 March 2003

THIS MINUTE REQUIRES
CABINET ENDORSEMENT

CABINET MINUTE

EXPENDITURE REVIEW COMMITTEE

Submission JH03/0120 HIGHER EDUCATION REFORMS

1. The Committee commenced consideration of the Submission.

2. The Committee agreed that the Department of Finance and Administration, as soon as possible, provide information on:

   (a) how research initiatives proposed by the Minister for Education, Science and Training (paragraphs 26 to 30 of the Submission refer), relate to other Commonwealth research funding, particularly additional research funding provided to:

      (i) the National Health and Medical Research Council following the Health and Medical Research Strategic Review (the Wills Review); and

      (ii) the Australian Research Council under Backing Australia's Ability; and

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(b) how the Collaboration and Innovation Fund (paragraph 31 of the Submission refers) relates to other Commonwealth funding for collaboration and innovation initiatives, including funding for Co-operative Research Centres.

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CABINET SUBMISSION

JH03/0120

TITLE: HIGHER EDUCATION REFORMS

MINISTER(S): The Hon Dr Brendan Nelson MP, Minister for Education, Science and Training

CABINET SUBMISSION

MINISTER'S EXECUTIVE SUMMARY

PURPOSE: To seek agreement on reforms to Australia's higher education sector, which will ensure the sector's ongoing and significant contribution to our nation's economic and social prosperity, while fostering a flexibility that will allow each higher education institution the opportunity to set and realise its own particular mission.

KEY ISSUES: Australia's higher education sector requires reforms to its funding and regulatory environment if it is to meet Australia's needs, ensure international excellence and drive market competition. The current environment has created funding inequities, placed pressure on quality and smothered diversity. Universities face increasing financial pressures but are restricted in their ability to raise revenue, by the current regulatory arrangements. My proposed reform package provides a transparent and equitable funding regime and deregulated environment that will create flexibility, alleviate financial constraints and encourage universities to develop their particular strengths. It delivers on four key principles - sustainability, quality, accessibility and diversity. It continues to support the core activities of teaching and scholarship, but also encourages specialisation, collaboration, innovation, regional engagement and excellence in teaching and research. The extension of unsubsidised loans to all fee-paying students in public institutions and eligible private institutions will increase participation in higher education and encourage Australians to invest in their future. Equity of access will be improved by ensuring that higher education is free at the point of entry. Both the public and private Australian higher education sectors will grow, stimulating private investment in education, increasing competition and driving improved performance in both sectors. The capped deregulation of student fees; increases in performance funding; and the encouragement of increased private sector investment will ensure that Australia's higher education sector can respond flexibly to future demands. The recommendations will have a positive impact on rural and regional jobs and services.

CONSULTATION: PM&C, Treasury, DoFA, AGs, DITR, DoTARS, DEWR, DIMIA, DHA, FaCS, ATO. There is not agreement. See Attachment A.

FINANCIAL IMPLICATIONS:

	Fiscal balance ($m)	Underlying cash balance ($m)	Operating balance / Net assets ($m)
	0	0	0
2003/04	-73.0	-36.5	-73.0
2004/05	-250.7	-188.8	-337.0
2005/06	-494.3	-470.7	-740.0
2006/07	-875.6	-848.2	-1114.9

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JH03/0120 57 Bill Burdorf/DPMC/CABNET - 22/03/2003 03:41:52

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RECOMMENDATIONS

1. I recommend that, consistent with the principles endorsed in Cabinet Minute JH03/0029/CAB of 18 February 2003, Cabinet agree to the following suite of initiatives (the reform initiatives) that produce a coherent policy framework which will underpin reforms to the Australian higher education sector, involving the following variations to resourcing for the Department of Education, Science and Training:

(a) Commonwealth Grant Scheme initiatives:

(i) funding institutions according to their discipline mix from 2005 (Attachment B.1 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	- 8.0	8.0	4.0
2005-06	- 8.8	8.8	8.4
2006-07	- 9.0	9.0	8.9

(ii) increasing Commonwealth grant funding by 7.5 per cent over three years from 2005 (Attachment B.2 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	69.6	- 69.6	- 34.8
2005-06	142.3	- 142.3	- 106.0
2006-07	218.2	- 218.2	- 180.3

(iii) provision of a transition fund in 2005 (Attachment B.3 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	12.6	- 12.6	- 6.3
2005-06	0.0	0.0	- 6.3
2006-07	0.0	0.0	0.0

(iv) provision of a loading for regional campuses from 2004 (Attachment B.4 refers):

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	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	27.9	- 27.9	- 14.0
2004-05	30.3	- 30.3	- 29.1
2005-06	31.5	- 31.5	- 30.9
2006-07	32.9	- 32.9	- 32.2

(v) conversion of marginally funded higher education places from 2005 (Attachment B.5 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	64.8	- 64.8	- 32.4
2005-06	118.7	- 118.7	- 91.8
2006-07	164.1	- 164.1	- 141.4

(vi) provision of growth places from 2007 (Attachment B.5 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	0.0	0.0	0.0
2006-07	10.9	- 10.9	- 5.5

(vii) introduction of funding agreements between the Commonwealth and higher education institutions from 2005 (Attachments B.6 & H refer); and

(viii) new arrangements for industry funded places in public higher education institutions from 2005 (Attachment B.1 refers);

(b) governance and workplace relations initiatives:

(i) development and implementation of a set of National Protocols on Governance in higher education institutions, with access to the increased Commonwealth Grant funding referred to in paragraph 2(a)(ii) above to be conditional on their implementation by those institutions (Attachment B.7 refers);

(ii) amendments to provisions of the *Australian National University Act 1991* and the *Maritime College Act 1978* which enact the constitutions of the councils of the Australian National University and the Australian Maritime College (Attachment B.7 refers);

(iii) introduction of a Workplace Productivity Programme from 2006 (Attachment B.8 refers):

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	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	27.3	- 27.3	- 13.7
2006-07	27.9	- 27.9	- 27.6

(iv) amendment of the *Workplace Relations Act 1996* to protect vulnerable third parties from industrial action (Attachment B.8 refers); and

(v) establishment of an Association of Governing Bodies of Australian Universities to promote professional development opportunities for members of university councils (Attachment B.7 refers);

(c) National Priority initiatives:

(i) increasing the Commonwealth grant for teaching places from 2005 (Attachment B.9 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	26.6	- 26.6	- 13.3
2005-06	27.1	- 27.1	- 26.9
2006-07	27.7	- 27.7	- 27.4

(ii) decreasing student contributions in the teaching discipline from 2005 (Attachment B.9 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	26.6	- 26.6	- 13.3
2005-06	27.1	- 27.1	- 26.9
2006-07	27.7	- 27.7	- 27.4

(iii) increasing the Commonwealth grant for nursing places from 2004 (Attachment B.10 refers):

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	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	9.8	- 9.8	- 4.9
2004-05	10.0	- 10.0	- 9.9
2005-06	10.2	- 10.2	- 10.1
2006-07	10.4	- 10.4	- 10.3

(iv) decreasing student contributions in the nursing discipline from 2005 (Attachment B.10 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	10.0	- 10.0	- 5.0
2005-06	10.2	- 10.2	- 10.1
2006-07	10.4	- 10.4	- 10.3

(v) creation of 745 new places and designation of 655 existing places as national priority places for public and private institutions from 2005 (Attachment B.11 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	7.2	- 7.2	- 3.6
2005-06	7.4	- 7.4	- 7.3
2006-07	7.5	- 7.5	- 7.4

(vi) creation of 210 additional nursing places in public institutions from 2004 (Attachment B.10 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	2.1	- 2.1	- 1.1
2004-05	3.8	- 3.8	- 2.9
2005-06	5.1	- 5.1	- 4.4
2006-07	6.1	- 6.1	- 5.6

(d) student financing initiatives:

(i) increasing the maximum number of fee paying students in Commonwealth funded courses (other than medical courses) from 25 to 50 per cent from 2005 (Attachment B.1 refers);

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(ii) partial deregulation of medical places, with restrictions continuing on the overall level of intake and the proportion of places that can be full fee-paying (Attachment B.1 refers);

(iii) new Higher Education Contribution Scheme (HECS-HELP) arrangements from 2005 including partial fee deregulation, revised repayment thresholds and reduced discounts (Attachment B.12 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	12.6	17.6	6.3
2005-06	104.0	21.7	5.7
2006-07	74.52	25.0	1.6

(iv) introduction of the FEE-HELP programme in 2005 (Attachment B.13 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	21.4	18.7	0.0
2005-06	46.3	52.3	0.2
2006-07	58.8	81.4	1.3

(v) introduction of the E-HELP programme in 2005 (Attachment B.14 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	30.8	26.3	0.0
2005-06	63.1	56.0	0.0
2006-07	66.2	62.9	0.0

(vi) introduction of the OS-HELP programme in 2005 (Attachment B.15 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	3.9	3.8	0.0
2005-06	11.9	11.8	0.0
2006-07	20.5	21.0	0.0

(e) scholarship initiatives:

(i) introduction of a Commonwealth Education Costs Scholarships (CECS) programme from 2004 (Attachments B.16 and B.17 refer):

	Resourcing	Impact on fiscal	Impact on underlying

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	$m	balance $m	cash balance $m
2003-04	5.0	- 5.0	- 2.5
2004-05	15.4	- 15.4	- 10.2
2005-06	26.3	- 26.3	- 20.8
2006-07	37.7	- 37.7	- 32.0

(ii) introduction of a Commonwealth Accommodation Scholarships (CAS) programme from 2004 (Attachment B.17 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	7.5	- 7.5	- 3.8
2004-05	23.1	- 23.1	- 15.3
2005-06	39.4	- 39.4	- 31.2
2006-07	56.5	- 56.5	- 48.0

(iii) amendment of the *Social Security Act 1991* to exclude CECS and CAS programme scholarships from the social security income test (Attachment B.16 refers);

(iv) growth (in line with population growth) in the number of Australian Postgraduate Awards from 2006 (Attachment B.18 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	0.2	- 0.2	- 0.1
2006-07	0.6	- 0.6	- 0.4

(v) introduction of an Indigenous Staff Scholarships programme from 2004 (Attachment B.19 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.2	- 0.2	- 0.1
2004-05	0.2	- 0.2	- 0.2
2005-06	0.2	- 0.2	- 0.2
2006-07	0.2	- 0.2	- 0.2

(f) equity initiatives:

(i) increasing Indigenous Support Funding from 2005 (Attachment B.20 refers):

	Resourcing $m	Impact on fiscal balance	Impact on underlying cash balance

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		$m	$m
2003-04	0.0	0.0	0.0
2004-05	1.7	- 1.7	- 0.8
2005-06	3.4	- 3.4	- 2.6
2006-07	5.3	- 5.3	- 4.4

(ii) establishment and ongoing administration for a Indigenous Higher Education Advisory Council from 2003 (Attachment B.21 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.3	- 0.3	- 0.1
2004-05	0.3	- 0.3	- 0.3
2005-06	0.3	- 0.3	- 0.3
2006-07	0.3	- 0.3	- 0.3

(iii) modification of the Higher Education Equity Programme from 2005 (Attachment B.22 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	2.3	- 2.3	- 1.1
2005-06	2.3	- 2.3	- 2.3
2006-07	2.4	- 2.4	- 2.3

(iv) increasing the funds available through the Students with Disabilities Programme from 2005 (Attachment B.23 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	1.1	- 1.1	- 0.5
2005-06	1.1	- 1.1	- 1.1
2006-07	1.1	- 1.1	- 1.1

(g) teaching initiatives:

(i) introduction of a Learning and Teaching Performance Fund from 2006 (Attachment B.24 refers):

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	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	54.7	- 54.7	- 27.3
2006-07	83.8	- 83.8	- 69.3

(ii) establishment and administration of a National Institute for Learning and Teaching in Higher Education from 2006 (Attachment B.25 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	2.5	- 2.5	- 1.3
2006-07	2.6	- 2.6	- 2.5

(iii) funding for the National Institute for Learning and Teaching in Higher Education to provide grants and undertake research and analysis from 2006 (Attachment B.25 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	19.4	- 19.4	- 9.7
2006-07	19.8	- 19.8	- 19.6

(iv) revised Australian Awards for University Teaching from 2006 (Attachment B.26 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	2.7	- 2.7	- 1.3
2006-07	2.7	- 2.7	- 2.7

(h) research initiatives:

(i) introduction of a Research Performance Fund from 2006 (Attachment B.27 refers):

	Resourcing	Impact on fiscal	Impact on underlying

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	$m	balance $m	cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	27.3	- 27.3	- 13.7
2006-07	55.9	- 55.9	- 41.6

(ii) growth (in line with population growth) in the number of places available under the Research Training Scheme (RTS) from 2006 (Attachment B.28 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	3.8	- 3.8	- 1.9
2006-07	7.1	- 7.1	- 5.5

(iii) supplementation of the RTS from 2006 to facilitate the professional development of research students (Attachment B.29 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	14.0	- 14.0	- 7.0
2006-07	14.3	- 14.3	- 14.2

(iv) evaluation of the Knowledge and Innovation reforms in 2003 (Attachment B.27 refers):

(v) establishment of Cooperative Centres for Applied Scholarship in Humanities, Arts and Social Sciences from 2006 (Attachment B.30 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	5.5	- 5.5	- 2.7
2006-07	11.2	- 11.2	- 8.3

(vi) establishment of a Research Infrastructure Taskforce in 2003 (Attachment B.27 refers);

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(vii) Ministerial direction to the Australian Research Council (ARC) to use some of the increase in funds received by the ARC under *Backing Australia's Ability* to cover the costs of Chief Investigator salaries (Attachment B.27 refers);

(viii) amendment of the *Australian Research Council Act 1991* to improve the ARC's governance and administration of grants;

(ix) establishment of a taskforce to examine the scope for closer collaboration between universities and major publicly funded research agencies and to investigate alternative funding models to develop excellence across the national research effort, which will subsume the Review of Access to Government Funded Research by Public Sector Research Agencies agreed to in Cabinet Minute JH02/0306/CAB of 8 October 2002 (Attachment B.27 refers); and

(x) amalgamation of the Australian Institute of Marine Science with James Cook University (Attachment B.31 refers);

(i) continuation of *Backing Australia's Ability* initiatives:

(i) funding for the Systemic Infrastructure Initiative in 2007 (Attachment B.32 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	0.0	0.0	0.0
2006-07	58.4	- 58.4	- 29.2

(ii) funding for the Research Infrastructure Block Grants Scheme in 2007 (Attachment B.33 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	0.0	0.0	0.0
2006-07	118.6	- 118.6	- 59.3

(j) collaboration, innovation and infrastructure initiatives:

(i) introduction of a Collaboration and Innovation Fund from 2005 (Attachment B.34 refers):

	Resourcing	Impact on fiscal	Impact on underlying

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	$m	balance $m	cash balance $m
2003-04	0.0	0.0	0.0
2004-05	6.3	- 6.3	- 3.2
2005-06	11.9	- 11.9	- 9.1
2006-07	28.9	- 28.9	- 20.4

(ii) establishment and ongoing administration of a Ministerial Council for Business/Industry/University Collaboration from 2005 (Attachment B.35 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.2	- 0.2	- 0.1
2005-06	0.2	- 0.2	- 0.2
2006-07	0.2	- 0.2	- 0.2

(iii) establishment of a Council for Humanities, Arts and Social Sciences from 2003 (Attachment B.34 refers); and

(iv) increased funding for the Capital Development Pool from 2006 (Attachment B.36 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.0	0.0	0.0
2005-06	9.7	- 9.7	- 4.8
2006-07	9.9	- 9.9	- 9.8

(k) quality initiatives:

(i) funding for the Australian Universities Quality Agency to undertake overseas audits (Attachment B.37 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.6	- 0.6	- 0.3
2005-06	0.6	- 0.6	- 0.6
2006-07	0.6	- 0.6	- 0.6

(ii) increased funding to support the promotion and development of the Graduate Skills Assessment programme (Attachment B.38 refers):

	Resourcing	Impact on fiscal	Impact on underlying

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	$m	balance $m	cash balance $m
2003-04	0.0	0.0	0.0
2004-05	0.3	- 0.3	- 0.1
2005-06	0.3	- 0.3	- 0.3
2006-07	0.3	- 0.3	- 0.3

(iii) continued funding for the Graduate Destination Survey and the Course Experience Questionnaire (Attachment B.38 refers); and

(l) other initiatives:

(i) provision to Marcus Oldham College of a payment in 2004 to address the historical anomaly that results from its receipt of Commonwealth funding (Attachment B.39 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	2.1	- 2.1	- 1.1
2004-05	0.0	0.0	- 1.1
2005-06	0.0	0.0	0.0
2006-07	0.0	0.0	0.0

(ii) development and ongoing support for a Higher Education Information Management System (Attachment B.40 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	4.3	- 4.3	- 2.1
2004-05	5.4	- 5.4	- 4.9
2005-06	5.1	- 5.1	- 5.3
2006-07	5.3	- 5.3	- 5.2

(iii) funding to support the promotion of the reform initiatives (Attachment B.41 refers):

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	1.7	- 1.7	- 0.8
2004-05	0.6	- 0.6	- 1.2
2005-06	0.7	- 0.7	- 0.7
2006-07	0.7	- 0.7	- 0.7

(iv) support for costs associated with the implementation and ongoing administration of the reform initiatives for public higher education institutions

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and the Department of Education, Science and Training (Attachment B.42 refers).

	Resourcing $m	Impact on fiscal balance $m	Impact on underlying cash balance $m
2003-04	12.3	- 12.3	- 6.2
2004-05	6.4	- 6.4	- 9.4
2005-06	6.6	- 6.6	- 6.5
2006-07	6.7	- 6.7	- 6.6

(m) Cabinet also agree that the measures outlined in this recommendation which require ongoing funding beyond 2010/11 be subject to a review by October 2009.

2. I recommend that Cabinet note that I will seek authority for new legislation to be introduced into the Parliament to:
   (a) replace the *Higher Education Funding Act 1998*; and
   (b) ensure that membership of student organisations is optional and universities do not collect compulsory fees that are not directly related to course provision.
3. I recommend that Cabinet note that:
   (a) the costings provided in this submission (the costings) are estimates based on 2001 higher education data, and assumptions related to expected behavioural patterns and indexation over a ten year period;
   (b) the costings have been agreed with the Department of Finance and Administration; and
   (c) actual costs will vary from the costings.
4. I recommend that Cabinet note:
   (a) the financial risks which the reform initiatives entail, as outlined in Attachment C;
   (b) the long term financial implications of each loan scheme referred to in paragraph 1(d), as identified in Attachment D, including the Public Debt impact;
   (c) the examples of student debt under the new reforms provided in Attachment E;
   (d) the modelling of reduced subsidies provided in Attachment F, as requested in Minute JH02/0491/SM of 12 December 2002;
   (e) the options proposed by the central agencies set out in Attachment G, which I do not support;
   (f) the funding conditions for higher education institutions that will be part of the reform package set out in Attachment H; and
   (g) the implementation schedule for the reform package provided in Attachment I.

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5. I recommend that Cabinet note that I will write to the Treasurer to request he investigate taxation regimes in Australia and comparable overseas countries focussing on incentives for industry to invest in higher education.

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BACKGROUND

1. Higher education makes a significant contribution to national and regional economic growth and development. High quality higher education is essential to Australia's future prosperity and productivity. It plays a critical role in innovation, research and the creation of our future leaders. In 2001, the higher education sector employed some 80,000 people and had total revenue of $10.2 billion, contributing 1.5 per cent to Gross Domestic Product. Commonwealth funding (including the Higher Education Contribution Scheme (HECS)), at around $6.2 billion in 2001, accounted for about 61 per cent of total sector funding. HECS accounted for 22 per cent of Commonwealth revenue, or 14 per cent of total sector revenue. Combining this with fee income, Australian students contributed 16 per cent of total sector revenue in 2001. The recent Productivity Commission research report commissioned as part of the review of higher education, *University Resourcing: Australia in an International Context,* found that in a number of aspects Australian universities are delivering outcomes comparable to many other countries, such as higher education entry rate; and greater annual expenditure per student. However, data from the Organisation for Economic Cooperation and Development (OECD) show that in Australia 52 per cent of expenditure on tertiary education institutions is from public sources, compared with an OECD country mean of 79 per cent. Income from international students accounted for 11.4 per cent of universities' total revenue, with the sector generating around $2.7 billion annually in national income, taking account of non-fee expenditure by international students studying in Australia.

2. The higher education sector has undergone significant transformation over recent years, including a 30 per cent increase in the number of students between 1991 and 2000, and a greater emphasis on seeking funding from non-Commonwealth sources. However, the last fundamental reform of Australia's higher education sector was in the late 1980s. The piecemeal approach to policy since then has resulted in a funding and regulatory environment which has constrained universities' ability to identify and make the most of their individual strengths.

REVIEW FINDINGS

3. The last fundamental reform of Australia's higher education sector was the introduction of the Unified National System and the Higher Education Contribution Scheme (HECS) in 1988. The existing funding and regulatory environment will not sustain a quality

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and internationally competitive higher education sector. Funding restraints, coupled with regulations that restrict institutional capacity to raise non-government revenue, have produced a sector which is not maximising its potential. The attempts by my predecessors to deregulate higher education have laid the foundation for acceptance of extensive reform and deregulation of the sector.

4. I have spent much of 2002 consulting with the sector and its stakeholders. This extensive process has clarified the present state of the sector, the difficulties it faces and future directions. The central finding of the review is that the present paradigm for sector financing has become complex, unwieldy and inequitable. We have created a unique opportunity to achieve fundamental reform at the present time with the coalescence of support for change from universities and business, as well as potential students and the National Tertiary Education Union (NTEU). This is an opportunity we cannot afford to lose. Australia's main competitors are now, as in the case of Britain, rapidly moving through a similar set of reforms to develop significantly more diverse higher education systems to respond to the widening demands of a globally engaged economy, from excellent research, innovation, broadening skill needs and strong professions. The current homogenous 'one size fits all' model simply cannot respond to these demands.

5. It is clear that funding and regulatory constraints are impacting on the viability of Australian higher education. This is affecting teaching choices and learning outcomes (including the viability of some disciplines), the viability of regional campuses, the international competitiveness and reputation of Australia's universities, our ability to improve higher education outcomes for disadvantaged groups (particularly Indigenous people), and collaboration between universities and other institutions, business, industry and regional communities.

6. The review identified that the current arrangements:

(a) restrict the ability of universities striving to be internationally competitive and making the most of their opportunities to generate increased revenue from the private sector;

(b) fail to recognise the higher costs faced by regional universities and their relative inability to generate income from non-government sources, or to compensate/reward those universities for the broader roles they play in their regions;

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(c) encourage all universities to aspire to being research intensive and comprehensive in their focus, because the substantive competitive funding available to universities relates to research activity;

(d) inadequately recognise and reward quality teaching (both at institutional and individual level), either through funding or through the provision of information to students that enables them to choose courses based on teaching quality; and

(e) are open to criticism on equity grounds because students who are able to pay full fees up front can undertake some courses with a lower entry score than those who cannot afford to pay fees (a concern which has caused some university Councils to decide on principle that their universities will not accept full fee paying domestic undergraduate students, thereby undermining the potential for such places to address unmet demand).

7. There was also consensus among contributors to the review and commentators that, despite recent increases in Commonwealth competitive research funding, there remains a need for greater Commonwealth support for research, with funding allocated on a performance basis. In addition, there are a number of inefficiencies, anomalies and disparities in existing funding arrangements which need to be addressed in responding to the review.

8. The current funding arrangements, and lack of flexibility, are not sustainable. In the coming five to ten years universities will face significant challenges in responding to their circumstances within the current framework.

POLICY PRINCIPLES

9. In light of the Review findings, the goal of my preferred reform package is to produce a coherent policy framework comprising an integrated suite of new and existing initiatives, underpinned by four key principles:

(a) Long-term **sustainability** and viability of all existing public self-accrediting higher education institutions;

(b) Improvement of **quality** in the sector, particularly the quality of undergraduate learning experiences and outcomes and improved research outcomes;

(c) Improved **accessibility** of higher education; and

(d) Greater **diversity** and specialisation within the higher education sector.

10. My preferred package of reform elements comprises a set of linked and mutually-reinforcing strategies which together provide an integrated policy framework likely to meet the concerns of numerous stakeholders in the higher education community. The reform

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strategies cannot be disaggregated and treated as distinct initiatives without compromising the total effectiveness of the package or alienating stakeholders. Each initiative has a rationale that links directly to the principles. The package is necessarily a balance between a range of initiatives within three major elements: the **Commonwealth Grant Scheme** providing a new funding paradigm to improve the capacity of institutions to meet Commonwealth goals for the sector; new **Student Financing** arrangements to ensure that the overall impact on students is acceptable and supports greater access for disadvantaged students; and **Performance and Incentive Funding** to generate greater diversity across the sector in behaviour and outcomes. The timing of the implementation of each initiative has been considered in light of the impact upon each institution. The integrated nature of the package is such that, in the short term, some institutions may experience some difficulty during the phased implementation of the package. Consequently, in my preferred package some institutions will take longer to adjust to the new arrangements, but all institutions will ultimately benefit.

11. Balancing the effects of implementation across the sector is a complex process and is necessary to maximise support for the underlying deregulatory reforms. To achieve the desired reforms, the Commonwealth needs the continued support of the sector, in particular, the vice-chancellors of universities.

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REFORM PACKAGE

Commonwealth Grant Scheme (Attachments B1 & B2)

12. I propose a move to a partially deregulated market in higher education. Under the Commonwealth Grant Scheme (CGS), the Commonwealth will negotiate on a rolling triennium basis with each university to deliver a specified number of supported places in specified course disciplines. The Commonwealth contribution will be paid according to the discipline mix actually delivered in a year provided that the total increase in the Commonwealth contribution does not exceed one per cent of the contribution that would have been payable on the agreed discipline mix. Variations in Commonwealth contribution from changes in discipline mix, where this is agreed in negotiation with the Commonwealth, will be used to reset the funding base for future years for the institution. In this way the maximum level of Budget uncertainty would be limited to one per cent in any year. The Commonwealth will provide an identified contribution towards the cost of providing each Commonwealth supported place. Institutions will be responsible for setting the total fee for their courses and so determine the level of additional student contributions. This will introduce an element of price competition for the first time. The Commonwealth will establish maximum student

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contribution levels. Students will continue to be able to access income-contingent loans and the limit on full fee paying students will be increased from 25 per cent to 50 per cent of total domestic enrolments in any particular course. Other remaining prohibitions on domestic postgraduate fee paying arrangements will be removed in respect of postgraduate nursing and teacher education courses that lead to initial registration (except for medical places). In the case of medical school places, there will only be partial deregulation with restrictions continuing on the overall level of intake places and the proportion of places that can be full fee-paying. Gradual relaxation to incorporate full fee paying medical places will be jointly agreed between the Education and Health portfolios. With any expansion of medical places (either Commonwealth supported or full fee-paying), overall levels of medical intakes would continue to be controlled by the Commonwealth. Institutions would be required to demonstrate to the Health portfolio that medical schools had suitable numbers of internships available for students for clinical training. The Health portfolio would continue to take account of medical workforce planning in setting appropriate levels. The Education and Health portfolios would work jointly in relation to these controls in a more deregulated higher education environment, with both Ministers agreeing appropriate levels of medical school places. In addition, several universities have indicated that revenue generated from fee deregulation and additional full-fee paying students will be used, in part, to improve outcomes for people from educationally disadvantaged backgrounds and DEST will encourage this during annual negotiations between the Commonwealth and each institution. The Commonwealth will address equity issues through targeted initiatives within the reform package (refer paragraph 36). In recognition of the need to build the long-term sustainability and viability of the sector and the rising costs of higher education, the Commonwealth contribution to course costs will increase progressively, up by 7.5 per cent by 2007, concurrently with the expected market driven increases in student contributions. This increased funding will be conditional on institutions implementing the National Governance Protocols. I also propose a transition fund be established for 2005 to ensure that in the first year no institution is worse off under the new arrangements. The Commonwealth will regularise the treatment of all duly accredited private providers in the sector and will provide Marcus Oldham College with a once off payment of $2.1 million in 2004 (in lieu of a continuing annual allocation) to address the historical anomaly that results from it receiving Commonwealth funding.

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13. Formal funding agreements under the new legislation will be established between institutions and the Commonwealth, incorporating performance measures and serious consequences for non-compliance. Controls enacted through the legislation and the new funding agreements will underpin the relationship between the Commonwealth and the institutions under the new CGS.

Regional Universities (Attachment B4)

14. The CGS will recognise the special needs of regional universities and campuses in meeting the social and economic development of their communities, by providing a loading for each student enrolled at a regional campus. I propose four bands of loading based on the degree of isolation and institutional size.

National Priorities (Attachments B9 – B11)

15. The Commonwealth will have the capacity to respond to current and emerging national needs, such as the education of Indigenous students and shortages in particular areas of the labour market such as teaching and nursing. In the past year I conducted the National Review of Nursing Education, which brought down its recommendations in 2002, and the Review of Teaching and Teacher Education, which will issue a final report in the middle of 2003. Early advice from the latter suggests that the need for further support for the teaching practicum in education courses will be an important issue. The final nursing report argued for further support for nursing in universities, particularly in terms of the high costs of clinical practice. I therefore propose further support for institutions offering teaching and nursing courses which will be directed to the practicum and clinical practice. I am also concerned to balance the public perception of the potential increases to student fees with some additional support for students in areas of national priority. My preferred package therefore includes $9.8 million in 2004 to reduce HECS contributions for nursing students and $26.6 million in 2005 to reduce HECS contributions for teaching students. Institutions will be able to set the student contribution for teaching and nursing courses up to only 15 per cent higher than the new band nominal rate of $3,213 (2005 dollars), whereas other courses will have a 30 per cent cap. This will ensure that for students studying teaching and nursing the maximum student contribution will be less than it is under the current system. Also, as there are currently Commonwealth supported students in these disciplines in a number of private higher education institutions, I seek to rationalise the higher education framework by deeming these places to be supported by the Commonwealth only if they are in areas of national priority. I seek to designate the 655 places (2001) currently at Avondale College and the University of

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Notre Dame Australia (UNDA) as national priority places and to allocate a further 745 places in priority areas to private higher education institutions that meet all prescribed quality and accountability requirements, where public institutions do not have the capacity to meet the demand. There is an urgent and pressing need to respond to the current shortage of nursing places being offered in light of the increasing demand for places and the shortage of trained nurses. I recently sought to address this through the re-allocation of savings from the University Workplace Reform Programme to fund 210 places. However, the Senior Ministers' Review decision (Minute JH02/0491/SM of 12 December 2002) deferred consideration of this proposal. I am proposing in this submission that by 2007 $6.1 million be allocated to provide specifically for nursing places at regional campuses across Australia. I also intend to ensure that students undertaking science and maths courses who subsequently become qualified and practice as teachers are not financially disadvantaged compared with those who undertake standard teacher education courses. The details of this initiative will be included in my response to the Review of Teaching and Teacher Education.

Conversion of Marginally Funded Places and Growth Places (Attachment B5)

16. Universities enrolled 25,000 places above their agreed target in 2001 in response to student demand, for which they received marginal funding of approximately $2,700 (in 2002) per equivalent full time student unit. The continuation of marginally funded places will result in further diminution of quality in Australian higher education. To abolish these places would reduce the size of the sector considerably and increase unmet demand significantly. I propose that over three years (from 2005) these be replaced with fully Commonwealth supported places and that the funding agreement with universities include penalties for significant over-enrolments in the future. Universities will be able to create additional fee paying places to respond to areas of demand and students will be supported through provision of income-contingent loans for fee-paying students in both public and private institutions (paragraph 20 refers). Together these measures are expected to be sufficient to respond to demographic growth until 2006. Additional places will be provided annually in line with population growth from 2007 (1,400 places in 2007) to ensure that current levels of "unmet demand" in Commonwealth supported places do not escalate.

Student Financing (Attachment B12)

17. From 1 January 2005, all Australians offered a Commonwealth supported place in a higher education institution will have a Learning Entitlement for a maximum of five years equivalent full-time study (or the standard enrolment period for the minimum vocational

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requirement for courses). To encourage life-long learning, students will also receive an additional undergraduate entitlement after a certain number of years (details will be finalised before 2007).

Scholarships (Attachments B 16 & 17)

18. To increase the participation rates of rural and regional, low socio-economic status and Indigenous students I propose to introduce the Commonwealth Learning Scholarship Programme which will comprise Commonwealth Education Costs Scholarships (CECS) and Commonwealth Accommodation Scholarships (CAS). Initially in 2004, there will be 2,500 CECS and 1,500 CAS awarded. These will be doubled in 2005 with the annual number of new scholarships awarded thereafter growing in line with population growth. Both CECS and CAS will be merit based, will target students experiencing financial hardship and will not count as income for social security or tax purposes. A change to the *Social Security Act 1991* would be required to exclude these scholarships from the social security income test. CECS will provide a student with a scholarship of $2,000 per year for up to four years to assist with education expenses. CAS will provide a student with a scholarship of $5,000 per year for up to four years to assist with accommodation expenses. Approximately 10,000 students from rural and isolated areas move away from home each year to commence higher education studies. For most of these students and/or their parents, the cost of accommodation represents a significant burden and a deterrent to participation in higher education. CEC and CA scholarships will help alleviate the financial burden. I also propose to incorporate a growth factor into the Australian Postgraduate Awards (APA) scheme to ensure that as population grows, Australia's brightest research students are supported by the Commonwealth during their studies. This will increase the number of notional new APAs allocated each year by 40 over four years.

Student Loans (Attachments B12 – B15)

19. I propose the introduction of the Higher Education Loan Programme (HELP) which will incorporate the current *subsidised* HECS arrangements with some variations and three new *unsubsidised* loan schemes:

(a) Fee Paying - Higher Education Loan Programme (FEE-HELP);

(b) Educational Costs - Higher Education Loan Programme (E-HELP); and

(c) Overseas Study - Higher Education Loan Programme (OS-HELP).

Unlike HECS these new loans will incorporate an initial loan fee, charged to cover the cost of government borrowing. HECS will remain the fundamental support mechanism for students

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undertaking undergraduate education in Australia who have won a Commonwealth supported place. Institutions will have the opportunity to set the student contribution up to a Commonwealth determined maximum, initially set at 30 per cent higher than the current HECS contribution rates, except for teaching and nursing courses where the increase will be set at a maximum of 15 per cent higher than the new band nominal rate of $3,213 (2005 dollars). Given this potential increase in student contributions and the increased Commonwealth funding by 2008, when all of the reform measures have been fully implemented, students will go from contributing on average 26 per cent towards the cost of their course to contributing 27 per cent. To reduce the burden on graduates with lower starting salaries, the minimum repayment threshold will increase from $24,365 in 2002-03 to $30,000 in 2005-06. The maximum repayment rate will increase to 8 per cent where income exceeds $65,000. HECS loans will remain interest free. The discount offered to students who pay their student contribution upfront will be reduced from 25 per cent to 20 per cent and the bonus for voluntary repayments will be reduced from 15 per cent to 10 per cent.

20. The introduction of FEE-HELP will create new opportunities for domestic full-fee paying students to study at public and eligible private higher education institutions. Students studying accredited courses at eligible institutions will be able to access unsubsidised (to the extent that the cost of Government borrowing will be met by a loan fee), income contingent, government loans. The extension of these loans will expand participation in education and help Australians update and acquire new skills. Equity of access to higher education will be enhanced as no student will be required to pay their fees at the point of education. The additional educational opportunities and choices created by this loan scheme will encourage both the public and private Australian higher education sectors to grow and meet unmet demand. It will also stimulate private investment in education, promote competition and enhance the performance of both the public and private sectors. All institutions able to offer FEE-HELP loans and places under the Commonwealth Grant Scheme will be required to meet a range of accountability requirements, including audit by the Australian Universities Quality Agency (AUQA). While AUQA already audits all self-accrediting institutions, the Minister will seek the formal agreement of the AUQA Board to add to its audit activities, on a full-fee recovery basis, the audit of any non-self-accrediting institution which seeks to offer FEE-HELP loans and/or places under the Commonwealth Grant Scheme.

21. From 2005, E-HELP will allow full-time students in Commonwealth supported places to take out an unsubsidised loan of $2,000 per annum up to a total of $5,000 to cover

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educational costs. The acting Prime Minister John Anderson wrote to me on 13 Feb 2003 agreeing to the repeal of the Student Financial Supplement Scheme (SFSS) with effect from January 2004. Given this, I propose that the introduction date of E-HELP loans for Indigenous students undertaking higher education be brought forward to 1 January 2004.

22. Australia's capacity to engage with the world depends on the ability of our people to actively engage in the global labour market. Whilst Australian universities are world leaders in the provision of higher education to international students, we are yet to adequately encourage Australian students to undertake part of their studies overseas. OS-HELP will provide financial assistance to a limited number of meritorious full-time undergraduate students in Commonwealth supported places who wish to study abroad. It will provide an unsubsidised loan of up to $5,000 per semester for up to two semesters towards travel and living expenses while overseas. All HELP loans will be incorporated into a single 'HELP' debt with all repayment arrangements consistent with the current HECS. The proposal to extend student loan schemes will increase the Commonwealth's stock of outstanding student loans. The full cost to the Commonwealth of these measures includes the cost of financing these loans and doubtful debt. These costs are detailed in Attachment D.

Higher Education Information Management System (HEIMS) (Attachment B40)

23. The introduction of a five year Learning Entitlement, the limits associated with the HELP loans and the Commonwealth Learning Scholarships cannot be implemented without a unique student identifier and an interactive online higher education system. HEIMS will provide timely, accessible and accurate information for students about institutional performance, course offerings and loan details; enable the efficient and effective management of Commonwealth student loans and higher education entitlements (including scholarships); provide one entry point for all university data associated with financial and programme management; and allow for a new and improved statistical data collection. The unique student identifier will be mandatory for any student who applies for, or accepts, a Commonwealth supported place, a Commonwealth Learning Scholarship or a HELP loan. HEIMS will enable the fair distribution of government subsidies and provide enhanced data to inform both students and government. The unique student identifier will be limited in its use to HEIMS. The data collected through HEIMS will be used for the monitoring of educational trends and will be strictly regulated to protect the privacy of students. It will not be used in any way to track individual students. To dispel any suggestions that the Government is introducing a national identifier, it is proposed that the student identifier regime will be subject to rigorous

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privacy protections, enshrined in portfolio legislation. The implementation of the new reforms will have significant cost implications for institutions and funds will be provided to assist with the development and customisation of their information technology infrastructure and administration costs associated with the management of the new student loan and scholarship schemes. Funds will also be provided to promote HEIMS and other aspects of the reforms.

Performance and Incentive Funding

24. At the very core of my reform agenda is a desire to create greater diversity and specialisation within the higher education sector and to improve the quality of the sector. The review process revealed that the sector is largely homogenous, is very resistant to a regulatory regime which would determine strict 'classes' of institutions, and that all institutions aspire to be research intensive, comprehensive institutions. Australia cannot afford to provide the support that would be necessary for all universities to do this nor is this desirable in meeting the nation's needs. We need a high quality sector with a diverse range of institutions, servicing different communities and varied needs. My proposal is that diversity will be achieved not through regulation but through the creation of performance-based incentives for institutions to differentiate their missions. The review also identified deficiencies in the quality of undergraduate learning outcomes and the need for improved research outcomes. These will be redressed through a new emphasis on teaching and learning outcomes and the creation of a new framework for research in which all Commonwealth funding is either competitive or performance-based.

Teaching (Attachment B24 – B26 & B29)

25. To achieve diversification of the higher education sector, I propose that a number of incentives be created to drive some institutions (those unlikely to be research competitive) to focus their mission on undergraduate teaching and learning, and all institutions to focus on improving the quality of teaching and learning outcomes. I propose that the Commonwealth commitment to teaching and learning in higher education be strengthened, through four new initiatives:

(a) a new Learning and Teaching Performance Fund to reward universities which achieve excellence in measurable teaching and learning outcomes; provide sufficient incentive for some institutions to specialise in undergraduate teaching and learning; and drive all institutions to strive for the highest levels of quality in teaching and learning;

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(b) a National Institute for Learning and Teaching in Higher Education to implement strategies to enhance excellence in teaching and provide a strategic national direction for improving teaching and learning;

(c) enhanced Australian Awards for University Teaching to motivate individual academics to specialise, and develop expertise, in teaching and learning; and

(d) modification to the Research Training Scheme (RTS) to support a number of doctoral students to complete qualifications in university teaching or research commercialisation, to ensure the next generation of academics is well-trained to meet community expectations of the higher education sector.

Research (Attachments B27 – B28 & B31 – B33)

26. Through research and research training, our universities contribute to national innovation and strengthen Australia's place in the global knowledge economy. In order to ensure that we provide a supportive policy and funding framework for universities that excel at research, all Commonwealth funding for higher education research will now be either competitive or performance-based. As now, *competitive* funding will continue to be provided primarily through the Australian Research Council (ARC) and the National Health and Medical Research Council (NHMRC). *Performance-based* funding to enhance the research capabilities of Australian universities will be provided through a new Research Performance Fund combining the former Institutional Grants Scheme (IGS) and the Research Infrastructure Block Grant scheme (RIBG). Funding for the new Research Performance Fund will be increased by $114.2 million per year by 2008 (based on current IGS funding) and allocated more strictly on the basis of genuine research performance. The Commonwealth supports the education of students undertaking research masters and research doctorates under the RTS. The RTS will be modestly increased to fund additional places in accordance with expected population growth and to accommodate the expanding need for a highly trained academic and research workforce. A comprehensive evaluation of the 1999 Knowledge and Innovation research reforms will also be undertaken to ensure that the policy framework for research funding is effective.

27. Researchers will increasingly need access to high quality infrastructure in order to carry out high quality research. A highly skilled taskforce will be established to develop and implement an integrated strategic framework for the funding of expensive research infrastructure to all publicly funded research organisations, including universities. A programme for the establishment of Cooperative Centres for Applied Scholarship in

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Humanities, Arts and Social Sciences will be established from 2006 to facilitate collaboration between researchers, scholars and practitioners in universities with industry, business and the broader community.

28. To drive a greater focus on the application of research from Publicly Funded Research Agencies (PRAs) and to identify and exploit potential synergies and collaboration between PRAs (especially the Commonwealth Science and Industrial Research Organisation (CSIRO)) and universities, I propose that a high level taskforce be established to examine models for closer integration and to investigate alternative funding models to develop excellence across the national research effort. The taskforce will report to Cabinet by the end of 2003. The Review of Access to Government Funded Research by Public Sector Research Agencies agreed to by Cabinet on 8 October 2002 (Cabinet Minute JH02/0306/CAB), which was to have been undertaken in the first half of 2003, will be subsumed into this broader exercise.

29. I further propose amalgamating the Australian Institute of Marine Science (AIMS) with James Cook University (JCU) with the aim of creating a world class centre for marine biology. The merger of AIMS and JCU will be achieved through the repeal of the *Australian Institute of Marine Science Act 1972* followed by a transfer of AIMS assets and budget funds to a new research institute within JCU. The new Institute would be established under a contract with JCU stipulating the funding contributions of the Commonwealth and JCU to the Institute and ensuring that the reputation of AIMS for world class research is maintained and that it retains a clear identity as a research body. An additional $5 million will be provided to AIMS in the 2003-04 Budget to facilitate this process. It will be funded by offsetting savings from the Co-operative Research Centres Program. There is some uncertainty concerning the timing of a merger arising from the indefinite timeframe for repeal of the AIMS Act. Once this issue is resolved, the merger could be pursued in advance of the implementation date of 1 January 2005 for other measures from the Higher Education Review. Subject to negotiation about possible 'buy-in' to research funding schemes, as a part of JCU, AIMS researchers may have the opportunity to access the competitive research schemes administered by the Australian Research Council and the National Health and Medical Research Council.

30. The funding of two higher education programmes, the Systemic Infrastructure Initiative and the Research Infrastructure Block Grants Scheme, both supported by *Backing Australia's Ability*, will conclude in 2005/2006. I am concerned that the existing dramatic funding decrease which includes these two programmes, will be construed as a reduced funding effort by the Government in the important area of science and innovation. In

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particular, given that the bulk of the higher education reform funding starts to flow in 2006-07 there is a real risk that critics will say the Government is using reductions in science and innovation funding to fund reforms to higher education. Certainty of funding is necessary for both programmes to ensure the implementation of the large-scale, high value infrastructure initiatives that they sustain. Funding of $177.0 million is sought for the 2006/07 year to ensure the integrity of ongoing administration of the programmes and to maintain the impetus of the initial investment in crucial infrastructure.

Collaboration and Innovation (Attachments B34 - B36)

31. A major theme of the review was the call by higher education stakeholders for more collaboration between universities and other education providers, industry, business, regions and communities. Such collaboration comes at a cost, because it means university resources need to be dedicated to activities other than teaching and learning or research. The review also identified areas of course provision that, because of declining demand or shortage of qualified staff, may completely disappear in particular regions. The development of collaborative course provision to ensure the survival of low-demand but nationally important courses and establishment of joint activities with other providers comes at considerable cost to institutions. Rationalisation of some areas of administration may yield efficiencies and eventual savings, but there are costs to be incurred in the initial stages of such renewal projects. I propose to establish a Collaboration and Innovation Fund (CAIF) from 2005 that will provide competitive funds to ensure the survival of threatened subjects and courses of national importance, drive collaboration between higher education institutions and other organisations, and foster administrative innovation within the higher education sector. This Fund absorbs the current Higher Education Innovation Programme (HEIP), with new guidelines and additional funding. The new Fund will honour ongoing HEIP commitments and the remaining HEIP funds will become CAIF funds. A Ministerial Council for Business-Industry-University Collaboration will be established to facilitate partnerships between industry and universities and build on the very positive relationships that have been established through the review process. During the review a strong argument was put for the establishment of a body representing the Humanities, Arts and Social Sciences to coordinate constructive engagement with governments and the community. A Council for the Humanities, Arts and Social Sciences will be established to achieve this purpose.

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Governance and Workplace Relations (Attachments B7 & B8)

32. The governance and management of universities emerged as a significant issue in the review. There are limits on the control the Commonwealth can exercise over most institutions because they are enacted under State or Territory legislation. It was also evident at the October MCEETYA meeting that the implementation of a set of national protocols on university governance would be highly contentious and controversial. At the time all State and Territory ministers refused to discuss the development of a set of national protocols on governance. Consequently, I have developed a set of National Governance Protocols for Public Higher Education Institutions that build on the outcomes of the *Review of University Governance* by the Victorian Government (2002) and the *Higher Education Management Review* chaired by David Hoare (1995). These protocols will strengthen university governance by increasing the responsibilities of university councils to oversee commercial activities, require councils to discharge these responsibilities in a transparent way, protect the public interest and be open to public scrutiny.

33. It is likely that the implementation of these protocols will be strongly opposed by all State and Territory Governments, given that it will require every State and Territory to amend enabling legislation. I propose to make the additional Commonwealth funding to be provided through incremental increases to the Commonwealth contribution per student place beginning in 2005 and culminating in a 7.5 per cent increase in 2007, conditional on the implementation of these protocols. The conditionality of the funding will not only be enshrined in legislation but also be an important element of the new funding agreement between an institution and the Commonwealth. I will also seek to amend the legislation of the two institutions under direct Commonwealth control, namely the Australian National University and the Australian Maritime College (in conjunction with the Minister for Transport and Regional Services), to ensure that their governance arrangements reflect best practice and adhere to the national protocols. I also propose that an Association of Governing Bodies of Australian Universities be established to promote professional development opportunities for members of university councils.

34. Workplace flexibility and productivity are essential to improve the quality of the Australian higher education sector. The existing Workplace Reform Programme has not achieved the desired reforms, especially as for a substantial part of its operations it was under legal challenge by unions. I propose establishing a new $27.3 million Workplace Productivity Programme that has been developed in consultation with the Department of Employment and

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Workplace Relations. This funding will be made contingent on universities demonstrating a commitment to workplace reform through the implementation of flexible working arrangements and a focus on direct relationships with employees and improved productivity and performance. The details of the evidence universities will need to provide to demonstrate a commitment to workplace reform is yet to be developed. This programme would encourage institutions to pursue a broader workplace reform agenda which more effectively utilises the flexibilities available under the *Workplace Relations Act 1996*. In addition, in conjunction with the Minister for Employment and Workplace Relations, I propose an amendment to the Act to strengthen the power of the Australian Industrial Relations Commission to end protected industrial action where the actions of unions whose members are employed in key Commonwealth funded community services affect particularly vulnerable third parties. The specific intent of the legislation will be to preclude the withholding of examination results as protected action by university staff. The legislation is very unlikely to be passed by the Parliament. As such its practical effect is likely to be symbolic rather than real. Leading up to the imminent round of enterprise bargaining in the sector, I will join with the Minister for Employment and Workplace Relations to write to the vice-chancellors, to remind them of their responsibilities under the *Workplace Relations Act 1996,* focusing on their obligations under the strike pay provisions and suggesting more appropriate approaches to enterprise bargaining.

Quality (Attachments B38 & B39)

35. Whilst in recent years the Commonwealth has taken a number of steps to strengthen the quality assurance framework for the Australian higher education sector, findings from the review indicated that vigilance in this area must be maintained. Consequently, I propose to increase the Commonwealth contribution to the Australian Universities Quality Agency (AUQA) to fund audits of overseas provision by Australian higher education institutions; to continue support for the Graduate Destination Survey and Course Experience Questionnaire; and further enhance and promote the Graduate Skills Assessment. Data from these instruments and processes will be essential for the allocation of funds from the Learning and Teaching Performance Fund and for maintaining public perceptions, both nationally and internationally, of the quality of Australian higher education.

Equity (Attachments B19 – B23)

36. The most disadvantaged people in terms of their success in higher education today are Australia's Indigenous people. Indigenous participation in higher education has dropped after

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a decade of improvement in the 1990s. In addition to changing the criteria and increasing the funding for the Commonwealth's Indigenous Support Fund, I propose to establish Indigenous support staff scholarships. As there is currently no formal mechanism for the Commonwealth to consult with the Indigenous community on higher education issues, I propose the creation of an Indigenous Higher Education Advisory Council (IHEAC) to provide the Government with advice on Indigenous issues in higher education. In light of evidence submitted during the review that current levels of equity funding were insufficient to maintain the necessary range of equity programmes in the sector or drive real change on equity issues, I propose that funding for the Higher Education Equity Programme and the Students with Disabilities Programme should be increased and that the criteria for the Programmes focus on performance and outcomes. I also propose an information campaign particularly targeting school leavers, to tackle the effect of debt aversion on the participation of people from low socio economic backgrounds.

Capital Development (Attachment B36)

37. Submissions for capital funding are currently four times the funding available. I propose to modestly increase the existing Capital Development Pool (CDP) to provide greater opportunities to leverage contributions from State, Territory and local governments and business and encourage greater support for priorities for capital development in the sector. This would include strategic regional initiatives and the development of joint educational precincts in collaboration with schools, technical and further education institutions and/or local communities.

OTHER ISSUES

38. Business and industry strongly argued throughout the review that more favourable taxation arrangements would result in additional income to universities from employer-sponsored training and philanthropic donations. I will write to the Treasurer with the suggestion that he establish an inter-departmental committee to investigate taxation regimes in Australia and comparable overseas countries, focusing on incentives for industry to invest in higher education courses and, if appropriate, recommend changes to current arrangements.

39. The current reporting requirements placed on higher education institutions are overly cumbersome and involve bureaucratic intervention in excess of that required to ensure accountability for the expenditure of public funds. The Department of Education, Science and Training is actively working with an Australian Vice-Chancellors' Committee University Reference Group, States/Territories and other Commonwealth departments to reduce

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unnecessary red tape and duplication. It is proposed to amend the *Australian Research Council Act 2001* to improve the governance and administration of grants under the National Competitive Grants Programme. I will also ensure that the new higher education and Australian Research Council (ARC) legislation minimise red tape.

40. Simultaneously with the higher education reforms I will be introducing separate legislation to ensure that membership of student organisations is optional and universities do not collect compulsory fees that are not directly related to course provision. This would be similar to legislation introduced in 1999 by my predecessor.

41. The Senior Ministers' Review (SMR) (Minute JH02/0491/SM of 12 December 2002 refers) requested that modelling be undertaken to examine the financial impact of reduced Commonwealth grant levels for particular discipline clusters. Modelling has been undertaken to assess the impact of a reduction in Commonwealth grant levels for Commerce and Management disciplines (Cluster 2) to the level of the grant provided for Law (Cluster 1). This approach produces an immediate impact that would be difficult to defend publicly as institutions would be forced to increase student fees by at least 19 per cent to maintain their funding at current levels (Attachment F). I do not support such a proposal.

42. The SMR requested that this submission identify the long term financial implications. This can be found at Attachment D.

43. The regional impact of all measures in the package is either positive or neutral. Overall the package provides significant benefits for regional communities and students from these communities. The significant benefits for regional communities derive mainly from the loading for places in regional campuses, the support for capital developments and collaboration to encourage and maintain the viability of regional education facilities, and the support for collaboration with regional business and industry. The benefits for students from regional communities will derive from scholarships, measures to improve access and retention of Indigenous people in higher education, and increased equity funds. There are Regional Impact Statement tables integrated into attachments as appropriate. The Office of Regulation Review (ORR) has indicated that a Regulation Impact Statement is not required (ORR ID Number 3328). The following agencies have been consulted on issues relevant to their responsibilities; Australian Taxation Office, Attorney General's Department, Office of the Federal Privacy Commissioner, Department of Family and Community Services, Department of Health and Ageing, Department of Transport and Regional Services and Department of Employment and Workplace Relations.

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44. Given that the reforms in this package are to be introduced progressively from 2004 to 2008, implementation will be monitored continuously to ensure smooth operation of new systems and to give early warning of any unanticipated outcomes. A full evaluation will be undertaken over 2010 and 2011, with results to be made available in the 2011-12 Budget context. This evaluation will focus on the effectiveness of the package in terms of the four key principles on which it is based – sustainability, quality, diversity and accessibility.

45. Ministers agreed (JH03/0029/CAB) that the Department of Prime Minister and Cabinet, the Treasury, and the Department of Finance and Administration be consulted on the development of options and supporting information for a package to be considered by ERC. Those departments have proposed options to be considered by ERC. I do not support any of these options as all have high administrative costs, create inconsistent policy structures, undermine the integrity of package initiatives and are unlikely to produce the outcomes they aspire to achieve. My specific objections are detailed in the 'DEST response' section of each option in Attachment G.

46. I will be seeking authority for new legislation to be introduced into the Parliament to replace the Higher Education Funding Act 1998 and underpin the reform package.

19 March 2003 Brendan Nelson

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ATTACHMENT A

COORDINATION COMMENTS

Prime Minister and Cabinet

PM&C strongly supports the broad thrust of the proposed package, particularly the partial deregulation of the higher education market, measures to increase private and public investment in education and the promotion of a diverse university sector. It considers that reform is vital to ensure that Australia's higher education sector meets the country's needs. PM&C's support for the package is subject to the comments and exceptions outlined below. In particular, PM&C considers the central reform objectives of the package can be delivered at lower cost and with less financial risk to the Commonwealth.

The partial deregulation of fees underpinned by broader access to government loans should provide opportunities for universities to attract greater private resources to complement significant increases in public funding. However, to ensure increased resources translate into desired results, it will be critical for universities to respond with appropriate cultural and behavioural change, particularly in the areas of workplace reform and governance (noting that the latter is also a matter for the States). PM&C therefore supports the proposal to make the increase in Commonwealth grant funding (recommendation 1(a)(ii)) conditional on States agreeing to the establishment and implementation of the National Protocols on Governance (recommendation 1(b)(i)). PM&C considers that this proposal will place pressure on both institutions and States to improve governance arrangements.

PM&C considers that the provisions in relation to workplace reform need to be strengthened, in line with Cabinet's request (JH03/0029/CAB). PM&C does not consider that reform will be progressed by providing a separate relatively small pool of funds, such as the proposed Workplace Productivity Programme (recommendation 1(b)(iii)). Instead, the conditions proposed for this funding should be incorporated into the funding agreements with individual universities (recommendation 1(a)(vii)) and increased Commonwealth support should be conditional on universities demonstrating that they are bargaining at enterprise level and resisting pattern bargaining. PM&C notes that placing stringent and enforceable conditions on increased Commonwealth funding may have implications for the success and even viability of non-complying institutions but considers that this risk needs to be accepted if reform is to be achieved.

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PM&C notes the information in Attachment D on the doubtful debt implications of the proposed new student loan arrangements. FEE-HELP (recommendation 1(d)(iv)) is estimated to result in an increase in the doubtful debt burden on the Commonwealth of around $60 million per annum when annual loan uptake stabilises. PM&C supports the introduction of FEE-HELP as it will support the proposed deregulation measures, increase access to university and encourage investment by students in their own education. However, PM&C considers that there is a risk of the loans being particularly attractive to people who consider that they have a low likelihood of repayment. Take-up of FEE-HELP should therefore be closely monitored, with annual reporting to Cabinet, in consultation with the Department of Finance and Administration, so that any increase in doubtful debt can be detected early and its causes addressed.

E-HELP (recommendation 1(d)(v)) is predicted to result in new doubtful debt of over $70 million per annum from 2007/08, and OS-HELP (recommendation 1(d)(vi)) around $35 million. PM&C considers that the need for E-HELP has not been demonstrated, that the measure runs financial risks similar to the recently abolished Student Financial Supplement Scheme and that it should not proceed. While PM&C considers the OS-HELP initiative to be of value, it is not considered to be integral to the package.

PM&C considers the main elements of the package that will promote access to universities are the proposed increase in the repayment threshold for student loans and the introduction of FEE-HELP. Nevertheless, PM&C considers the proposed Commonwealth Education Costs Scholarships (CECS) (recommendation 1(e)(i)) and Commonwealth Accommodation Scholarships (CAS) (recommendation 1(e)(ii)) could support equity outcomes and help facilitate broader support for the package and therefore supports this measure. However, PM&C considers that the criteria to be used by universities in assessing applications for CECS and CAS should be agreed between the Minister for Education, Science and Training, the Prime Minister, the Treasurer and the Minister for Finance and Administration, to ensure the scholarships are targeted to improve participation by students from rural areas and low SES backgrounds.

PM&C does not support CECS and CAS being exempt from the social security income test (recommendation 1(e)(iii)). Such a decision would create an inconsistency with similar scholarships (for example the Rural Australia Medical Undergraduate Scholarships), send a message that income support payments are insufficient to support a university student and

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undermine the government's broader objective of simplifying the income support system. PM&C would favour including CECS as income for the purposes of the social security income test and introducing a multiple entitlement exclusion between CAS and rent assistance, so that a person getting CAS would not be eligible for rent assistance.

PM&C has concerns that the Learning and Teaching Performance Fund (recommendation 1(g)(i)) and the Collaboration and Innovation Fund (recommendation 1(j)(i)) may not achieve their specific objectives, but simply provide additional funding to be distributed across the sector.

PM&C supports the rationalisation of university research funding outlined in Attachment B.27, but does not consider additional funding for research through the Research Performance Fund (recommendation 1(h)(i)) is justified at this time, given the significant increase already implemented under Backing Australia's Ability (BAA).

In relation to the establishment of a high level taskforce as set out in recommendation 1(h)(ix), PM&C considers that there is insufficient specificity with regard to the scope and objectives of the proposed review. PM&C considers that the Minister should further develop the proposal, including a possible set of terms of reference, for further consideration by the Prime Minister.

PM&C also notes that the proposal to amalgamate the Australian Institute of Marine Science and James Cook University (recommendation 1(h)(x)) will require the agreement of the Queensland Government and that the Queensland Premier has written to the Prime Minister indicating his opposition to this initiative.

In regard to terminating BAA programmes, PM&C considers it would be premature to make decisions on 2007 funding levels for the Systemic Infrastructure Initiative (recommendation 1(i)(i)) and the Research Infrastructure Block Grants Scheme (recommendation 1(i)(ii)). This funding should be considered in the broader post-BAA process set out for mid to late 2003 so that all research funding can be determined within a comprehensive framework, including consideration of the balance between the sectors.

PM&C considers that the proposed review in October 2009 (recommendation 1(m)) is too far into the future and that ongoing funding from 2008-09 should be subject to review in line with

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requirements for other lapsing programmes. Given the scale of reforms and uncertainties about university and student responses, PM&C considers that annual implementation reports should be provided to ERC, starting from the 2005-06 Budget process.

Treasury

Treasury supports the broad direction of the Minister's proposals. The core proposals to partially deregulate course fees and extend the availability of income contingent loans to all higher education students will provide universities with greater flexibility, expand student choice and improve competition within the higher education sector. However, Treasury considers that the package could be more ambitious in terms of governance, management and regulatory reforms and could be more cost effective.

Treasury notes in this regard that the reform package will have a budget cost (underlying cash) of $1.5 billion over the forward estimates, rising to an annual cost of more than $1 billion from 2007-08. Treasury is concerned that the package will substantially increase the Commonwealth's exposure to financial risk due to the proposed loan schemes. Including the full cost of these schemes, the cost is $2.7 billion over the forward estimates period and $1.3 billion in 2007-08. Under this package, outstanding student debt is expected to reach $25.1 billion in 2012-13, with doubtful debts of $6.1 billion (Attachment D).

Treasury considers that, in underlying cash terms, the cost of the package could be reduced by at least 40 per cent over the forward estimates period. Treasury also considers that progress in implementing a package should be comprehensively reviewed in the 2006-07 Budget context.

GOVERNANCE, MANAGEMENT AND REGULATORY REFORM

Treasury supports tying the proposed increase in core Commonwealth funding to implementation of the National Protocols on Governance (recommendation 1(a)(ii) and 1(b)(i)). However, the Protocols do not address regulatory and management issues. Universities should also be required to review and simplify their by-laws, introduce flexible working arrangements and adopt a focus on productivity and performance. Without this, there is a danger that the high cost of the package will be squandered on waste and mismanagement.

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Treasury has reservations about the proposed amendments to the Workplace Relations Act 1996 (recommendation 1(b)(iv)) since, as the Submission acknowledges, these amendments are 'very unlikely to be passed by the Parliament' (Attachment B8). Treasury notes that appropriate governance and management frameworks are more likely to lead to genuine workplace reform than the proposed legislative amendment.

COST EFFECTIVENESS

Treasury considers that the proposed 7.5 per cent increase in Commonwealth grant funding per place (recommendation 1(a)(ii)) should be scaled back. The additional Commonwealth subsidy of $535 million over the forward estimates (including financing costs and doubtful debt provisions) associated with extending HECS and FEE-HELP (recommendations 1(d)(iii) and (iv)) already represents a substantial increase in Commonwealth financial support for the higher education sector, reducing the need for a sizeable increase in grant funding.

Recommendation 1(a)(v) proposes the phased creation of 24,883 new fully funded places and the phased withdrawal of around 33,000 marginally funded places at a net cost of $348 million over four years (around $200 million/year ongoing). It is not necessary to create this many new fully funded places. The establishment of FEE-HELP and increased deregulation of full-fee places should prevent a net increase in unmet demand.

Treasury supports measures to increase the number of Commonwealth supported teaching and nursing places in universities (recommendations 1(c)(v) and (vi)), but does not support reducing student contributions for these courses (recommendations 1(c)(ii) and (iv)). Lower student contributions will cost $112 million over four years, but will have no impact on the supply of qualified nurses and teachers.

Treasury opposes the proposed E-HELP and OS-HELP schemes (recommendations 1(d)(v) and (vi)). Both schemes would be heavily subsidised as the proposed 30 per cent loan fee does not seek to cover bad and doubtful debts. Attachment C of the Submission shows that doubtful debts associated with these two schemes are expected to reach $196 million by 2006-07 and almost $860 million within 10 years. E-HELP is similar to the Student Financial Support Scheme (SFSS), which Ministers recently agreed to terminate, while OS-HELP risks exacerbating the perceived 'brain drain' of high quality students working overseas.

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ATTACHMENT A

The proposed Teaching and Learning Performance Fund (recommendation 1(g)(i)) is unnecessary. Governance and management reforms, combined with increased deregulation and FEE-HELP, will force universities to become more responsive to student and employer needs, and so drive improvements in teaching and learning outcomes.

Treasury opposes the supplementation ($114 million by 2008) for the Research Performance Fund (recommendation 1(h)(i)) as no case has been made and the Knowledge and Innovation evaluation later this year will consider whether existing funds have been used effectively.

Treasury notes that recommendation 1(i) goes beyond Senior Ministers' request for a proposal identifying the minimum funding needed for Backing Australia's Ability programmes requiring certainty in 2006-07 to ensure the integrity of ongoing administration (JH02/0491/SM).

FINANCIAL RISK

There are substantial financial risks associated with the proposed expansion of the student loan schemes. In 2003-04, outstanding student debts are expected to reach around $10.0 billion, including doubtful debts of around $2.1 billion. By 2012-13, when the package is fully implemented, the proposed changes to the student loan schemes are expected to increase the stock of outstanding debt by $7.7 billion and the amount of doubtful debt by almost $2.4 billion.

To help maintain budget control over the level of doubtful debts and ensure clear accountability for managing the issue, Treasury recommends that Ministers ask DEST to provide an audited annual report to Cabinet on the level of outstanding student debts and changes in doubtful debt.

There is a high degree of uncertainty around the estimates of doubtful debts associated with the expansion of the student loan schemes. In particular, Treasury considers that the assumed doubtful debt rate for OS-HELP is optimistic due to the risk that students could find a job overseas, and thus avoid, or delay, repaying their debts. The Australian Government Actuary's advice was based on advice from DEST that the repayment system will be changed to very strongly encourage individuals working overseas to repay their debts. Attachment B15 notes that DEST has since assessed such proposals as impractical.

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Treasury considers it unlikely that the proposed 30 per cent loan fee for FEE-HELP, E-HELP and OS-HELP will be sufficient to cover the cost of financing these loans. A better option would be to incorporate the Commonwealth's financing costs into the indexation arrangements as proposed in Option 2 of Attachment G. This would reduce the financial risk for the Commonwealth and remove the effective cross-subsidy between students.

As the population ages, a larger proportion of older workers and retirees could participate in higher education, particularly via FEE-HELP. Treasury considers that the proposed $50,000 limit on accumulated FEE-HELP debt should be reduced as individuals approach retirement age (Option 3, Attachment G).

OTHER COMMENTS

Treasury does not support the proposal to amend the Social Security Act to exclude Commonwealth Scholarships from the social security income test (recommendation 1(e)(iii)). This would create an anomaly with most other scholarships; lead to pressure to extend the exemption; complicate the Social Security income test; and lead to double-dipping of Commonwealth income support in some circumstances (see Option 1, Attachment G). Since students on most forms of Commonwealth income support already have access to Rent Assistance, the proposed Commonwealth Accommodation Cost (CAC) Scholarships (recommendation 1(e)(ii)) will create a further opportunity for double-dipping and pressure for Rent Assistance to be increased across the board.

Treasury notes that while repayments under FEE-HELP, E-HELP and OS-HELP are not currently deductible to students, students are not prohibited from deducting their incurred course fees as self-education expenses. Treasury notes that the Treasurer's agreement is required to bring forward any proposal to amend tax legislation to deny a deduction.

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Finance and Administration

The Department of Finance and Administration (Finance) notes that the proposed higher education package has a Budget cost (underlying cash) of $1.54 billion over the forward estimates period and that, while the Minister has sought to reduce the impact on the Budget by phasing in some elements of the package, a key issue to long term budget sustainability is that the annual cost of the proposals will exceed $1 billion pa from 2007-08. Finance considers that this level of funding is not sustainable, particularly as this package will be subject to the

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passage of legislation where the Government is likely to come under pressure for further increases in funding.

Finance supports the provision of additional funding to the sector but considers that this should be reduced from that proposed by the Minister and that it is essential that additional funding is made firmly conditional (under an enforceable framework) upon improved sector performance. This is essential if funding is to be used as an effective lever to encourage universities to specialise, to pursue excellence, to improve governance and management and to do what every other sector of the Australian economy has had to do in the 1980s and 1990s - change substantially.

The Minister should provide ERC with advice concerning the conditions to be applied and how they will be made effective in the event that individual universities do not meet the requirements. Finance considers that the requirements should be attached to the principal measures which will increase revenue (partial fee deregulation, core grants, conversion of marginally funded places and the regional loading).

Cabinet agreed (JH03/0029) that reform of governance and workplace relations is an essential pre-requisite to additional funding. Some of the governance reforms sought by the Minister (eg. smaller governing bodies, changed appointment practices) will require changes to State and Territory enabling legislation. Finance notes that this strategy will depend on achieving agreement by States and Territories to legislative amendment.

Finance notes that the package, in providing additional funding and flexibility to universities, increases the ambiguity of current governance arrangements. Universities are State / Territory statutory bodies for financial accountability and audit purposes (with the exception of the Australian National University and Australian Maritime College). States and Territories are generally increasing the statutory flexibility of universities to engage in commercial activities at a time when the Commonwealth is proposing a measure of fee deregulation. The package could be informed by further advice from the Minister on a strategy for how the risk of financial failure of universities will be managed between the Commonwealth and States / Territories.

Finance considers that there are a number of elements of the package that can reasonably be delivered by the sector as a condition of increased revenue provided by partial fee

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deregulation ($390 million over four years), increased core grants ($320 million), conversion of marginally funded places ($265 million) and the proposed regional loading ($106 million). This would also offer scope to reduce the cost of the package and for this reason Finance does not support recommendations such as 1 (g) (teaching initiatives) and 1 (j) (i) (introduction of a Collaboration and Innovation fund from 2005).

Also, Finance does not support introduction of a funded Workplace Productivity Program (recommendation 1 (b) (iii)) noting that, consistent with Commonwealth wages policy, wage increases should be funded from productivity gains. Finance notes that increased revenue will provide universities with significant flexibility to increase salaries and that conditions sought by the Minister do not require, as a minimum, that universities offer staff the option of an AWA.

Finance notes that accumulated HECS debt was $8 billion at June 2002 and is estimated to increase by $980 million (12.2 per cent) this year. At June 2002 the provision for doubtful debts (that has not yet impacted on fiscal balance) was $1.57 billion and, under current arrangements, it is expected to reach $3.7 billion in 2012-13. Under the proposed package the provision for doubtful debt will further increase to $6.1 billion by 2012-13.

Finance supports the extension of loan arrangements for full fee courses and students at limited private institutions (FEE-HELP) (recommendation 1 (d) (iv)) and notes that ERC will consider a Treasury alternative proposal to the up-front loan fee. However, in the context of increasing debt and doubtful debt provisions, and because there are existing schemes available (eg Youth Allowance and Austudy), Finance does not support extension of loans to cover general costs and overseas study (E-HELP and OS-HELP) (recommendations 1 (d) (v and vi)).

Finance supports the view expressed in recommendation 3 that actual costs of the package may vary from estimates as costings are based on 2001 data and various assumptions. Finance considers that this is particularly the case for the proposed new loan arrangements.

Finance supports funding for additional student places in areas considered a national priority (recommendation 1 (c)) but does not support funding to reduce student fee contributions in these courses as demand would indicate that current fees are not a constraint.

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Finance does not support recommendations 1 (e) (i and ii) that propose new Commonwealth scholarships because the provision of subsidised university places, subsidised loans and schemes such as Youth Allowance, Austudy and Abstudy are sufficient to make higher education accessible in Australia.

Given the upcoming review of Backing Australia's Ability (BAA) programs, the review of competitive research grant arrangements and the mapping process for science activity, Finance does not support additional funding at this stage for further research (recommendations 1 (h) (i) and (ii) and 1 (j)). Finance also notes that the university sector is the major beneficiary of the doubling of Australian Research Council grants that is occurring under BAA.

Attorney-General's

The Attorney-General's Department notes the draft Cabinet Submission JH03/0120: Higher Education Reforms. The Department has no specific comments to offer.

The Australian Government Solicitor advises that legislation will be necessary in order to implement the recommendations.

The Australian Government Solicitor advises that there is no constitutional objection to the governance initiatives on the basis that they contemplate that the governance requirements be incorporated in Commonwealth, State and Territory legislation before institutions become eligible for funding.

Employment and Workplace Relations

DEWR supports the general thrust of the reform package for higher education, including partial deregulation of the market in higher education and the proposal to ensure membership of student organisations is optional. However, we do not support the proposed approach on workplace relations, recommendation 1(b).

In this context, we note Cabinet Minute JH03/0029/CAB required the Minister for Education, Science and Training to strengthen the strategies to reform governance and workplace

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relations arrangements and make the introduction of the higher education reform package conditional on these stronger reforms.

The approach on workplace relations initiatives proposed in the Submission could amount to a backward step for several reasons, including:

(a) the significant reduction in the financial incentives attached to workplace reform. The previous arrangement, the Higher Education Workplace Reform Programme, tied $259 million over three years to workplace reform. The proposed arrangements tie only $27 million per annum to universities advancing workplace reform to be shared among all 41 universities

- as previously indicated, the Commonwealth won a protracted legal battle to have the right to pursue policy objectives by directly linking funding to workplace reform; and

(b) the proposed new arrangements do not come into effect until 2006 - leaving more than two and a half years for workplace relations issues to go nowhere.

There is no alternative proposed in the Submission to bring about workplace reform between now and 2006. The only workplace relations initiative proposed over this period is an amendment to the Workplace Relations Act 1996 (WR Act). As noted in the Submission, this legislation is very unlikely to be passed by the Parliament. In any case, DEWR has reservations about the proposed legislative amendment. In particular, amending the WR Act to provide for industry specific solutions would set an undesirable precedent and might lead other industries to seek similar amendments.

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There is also a danger the Submission's approach on workplace relations will be interpreted by opponents to workplace reform in this sector as a clear signal the Government is placing less importance and emphasis on higher education workplace reform.

DEWR would support an alternative approach, including:

(a) making the increases in Commonwealth Grants Scheme (CGS) payments contingent on universities also demonstrating a commitment to workplace reform; and

(b) focussing the proposed Workplace Productivity Programme (WPP) on an annual assessment of a university's progress in implementing workplace reform.

In terms of the workplace relations tests universities should meet to access Commonwealth funding, DEWR and DEST have jointly developed a number of tests. These are detailed in Attachment B.8 of the Submission and are strongly supported.

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ATTACHMENT A

Family and Community Services

FaCS agrees in principle with Higher Education Reform proposals.

FaCS notes the proposals to introduce two new scholarship schemes, the Commonwealth Education Costs Scholarship (CECS) and Commonwealth Accommodation Scholarship (CAS). FaCS opposes the exemption of these scholarships from income testing under social security and is concerned that such an exemption would be inequitable, set a precedent and introduce new anomalies into income support provisions for working age people.

Exemption from income tests could set a precedent, resulting in pressure for exemptions for all other scholarships (estimated cost of at least $10 million pa). In any event, the Youth Allowance income test has a high annual free area ($6,136), which means that around $400 only of the scholarships would be affected by the income test. The DEST proposal for exemption would also be inequitable. A youth allowee with a scholarship would receive $17,453 per year compared with $10,452 for an unemployed youth allowee or one at TAFE. This undermines the Government's single Youth Allowance.

Availability of Rent Assistance (RA) for Youth Allowance and both Rent Assistance and the Pensioner Education Supplement (PES) for working age pensioners would mean that the DEST proposals result in some students on income support being assisted twice with the same costs.

These proposals would also introduce a further anomaly into working age income support, when Government is currently consulting about simplifying the system to reduce such anomalies.

FaCS agrees with the development of amended HECS provisions for the National Priority areas of teaching and nursing. We also note with interest the development of student loan initiatives that are an extension upon current HECS arrangements. While, these arrangements will enable extra support for students undertaking university study, especially in light of the proposed repeal of the Student Financial Supplement Scheme, we note with concern the high levels of bad debt that the scheme may carry. In addition, we consider that very high levels of education-related debt likely to be carried by individuals bears some analysis in terms of its

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subsequent impact upon patterns of home ownership, family formation and the work incentives of primary carers considering a return to work.

FaCS supports the development of the Higher Education Information Management System and identifies that an opportunity exists to investigate possible links with social security data systems, to better ensure income support is properly targeted to full-time students.

Health and Ageing

The Department of Health and Ageing supports moves aimed at reducing emerging medical workforce shortages through the creation of full fee paying places for medical undergraduate students in addition to the Commonwealth funded places already available. The Department also welcomes the proposal to give the Ministers for Health and Ageing and Education, Science and Technology control both over the appropriate levels of medical school places and over the proportion of places that can be full fee paying. The Department supports the proposal that institutions should be required to demonstrate to the Health portfolio that medical schools had suitable numbers of internships.

The Department notes that the introduction of full fee paying places for medical students for the first time is a sensitive issue given the very high cost of medical degrees in comparison to other disciplines.

The Department supports the measures in the submission to alleviate nursing workforce shortages. These initiatives will provide a significant contribution towards increasing the number of nurses entering the workforce over time.

Immigration and Multicultural and Indigenous Affairs

The Department of Immigration and Multicultural Affairs (DIMIA) generally supports the recommendations. The submission provides a solid basis for improving the overall quality of the higher education system. DIMIA notes several universities have indicated that the revenue generated from fee deregulation and additional full fee paying students will be used in part to improve outcomes for people from educationally disadvantaged backgrounds. Nonetheless, DIMIA has reservations about the risks of unintended consequences for prospective Indigenous students.

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ATTACHMENT A

Indigenous students generally come from low socioeconomic backgrounds and the prospect of a 30 per cent increase in HECS fees may act as a disincentive to participation in higher education; notwithstanding the new measures proposed.

The combined effect of the Education Costs – Higher Education Loans Programme (E-HELP), the Commonwealth Education Costs Scholarship (CECS) and the Commonwealth Accommodation Scholarship (CAC) is that it will give similar levels of benefit to current students who convert ABSTUDY to a loan through the Student Financial Supplement Scheme (SFSS), which is being repealed. However, as these new schemes are numerically capped (with the exception of E-HELP), and have additional eligibility requirements over SFSS, this could well translate into a net reduction of assistance to disadvantaged Indigenous university students. The new scholarship schemes will be available to all disadvantaged students and while Indigenous students are a primary target group, it is unclear what proportion of scholarships will be taken up by Indigenous students.

The submission does not indicate how the needs of the some three quarters of Indigenous SFSS customers who are in the vocational education training (VET) sector will be addressed following the repeal of the SFSS.

DIMIA supports the creation of the Indigenous Higher Education Advisory Council, the expansion of the Indigenous Support Fund, and creation of the Indigenous Staff Scholarships.

From the outset, the Higher Education Information Management System should include an Indigenous identifier to provide the Commonwealth with better information on Indigenous outcomes from higher education. It is noted that this proposal does not include overseas students. DIMIA suggests that this omission be further considered jointly by DIMIA and DEST in order to determine whether there would be whole of government benefits flowing from their inclusion.

The Submission identifies "people from a non-English speaking background" as one of a number of recognised disadvantaged groups. This is too broad and needs to focus more clearly on holders of permanent humanitarian visas who are known to experience significant disadvantage within the Australian community.

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ATTACHMENT A

Industry Tourism and Resources

The Department of Industry, Tourism and Resources (ITR) believes the conceptual basis of the key structural proposals is sound and changes to the Commonwealth grants scheme, partial deregulation of fees and new arrangements for student financing should provide additional flexibility so as to improve the performance of the higher education system. It also supports measures taken to ensure appropriate governance and accountability for expenditure within the universities, the provision of additional support to regional universities and more information being provided to students through theHigher Education Information Management system.

ITR does however have a number of significant reservations about the submission.

ITR considers the case for the structural reforms could be strengthened by more analysis and a detailed account of the possible forward impact of reforms on key issues such as overall university resources and number of students, the Commonwealth/student financing split and the growing share of university places taken by overseas students. As the proposals in the submission involve a large injection of funds to the universities, such analysis is appropriate to inform the decision making of Ministers as well as being valuable in the public presentation of the ultimate decisions.

ITR has some concerns about the large number and cost of proposals that are not directly related to the core reforms. The Department does not support measures relating to teacher performance (B24-25), a co-operative centre for humanities (B30) and the university collaboration fund (B34), which are not convincing as to purpose or priority. The collaboration fund in particular appears to be all things to all people and has a focus on universities collaborating with each other rather than business or the community. The teaching fund proposals are also vague as to how they will improve teaching and appear expensive given they are validating quality learning and teaching outcomes that universities should already aspire to. Moreover the priority given full funding for the conversion of marginal places (B5) has not been established. The universities have provided these places on the basis of agreed funding arrangements and the evidence that it has proven so deleterious as to warrant a substantial payment to universities with no extra places is not presented. ITR also notes that in 2006-7 some 30 per cent of the cost of the package is to enhance research rather deal with student places or governance.

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ATTACHMENT A

ITR suggests consideration be given to proceeding with key structural measures and reducing the cost of the package by not proceeding with some of the supplementary measures.

ITR is concerned that the current Budget figures may not be capturing the actual cost of the loan arrangements. The fiscal balance is expected to be slightly improved by the enhanced provision of student loans; DITR finds this result surprising given the loans are interest free and are expected to have a doubtful debt rate higher than 20 per cent (with extra doubtful debts from the enhancements valued at $0.8 billion by 2007-8, rising to $2.4 billion by 2012-13). ITR does not however support the proposal in Attachment G to raise the loan fee to 60 per cent and/or increase the indexation factor on the loans as it is not clear that making the scheme more costly to students is the right response to a high level of doubtful debts.

Overall it appears much of the funding for new places is coming ultimately from students with the majority of additional Commonwealth money going to universities for non-student growth activities. In view of the sensitivities of fee deregulation and more loans, it is important to be able to articulate the benefits of reform for the students and the economy as well as the universities. The claim in paragraph 1 of the submission that the OECD indicates that in Australia 52 per cent of expenditure comes from public sources compared to an OECD average of 79 per cent is pertinent in this regard.

ITR supports the need to identify and deal with National Priorities. It considers the Ministerial Council for Business/University Collaboration in proposal B35 should develop mechanisms for universities and students to be informed of impending skill demand in the workplace and to facilitate identification of National Priorities. While noting the desirability of dealing with teaching and nursing shortages, ITR queries the cost effectiveness of reducing HECS fees which provide a windfall for more than 50,000 students who currently enrol in these courses for an uncertain supply side effect. A key issue in nursing and teaching is retention rates and the National Review of Nursing Education did not focus on reducing HECS.

ITR notes that the current policy is that funding extensions to BAA programs is the minimum necessary to preserve the integrity of the program. The proposals in relation to the Systematic Infrastructure Initiative (B32) and the Research Infrastructure Block Grant (B33) go beyond this guideline and ITR believes they would be better considered in the context of the

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development of the Government's science and innovation policy. Consistency in approach across portfolios with regard to the minimum funding necessary would be appropriate. The proposal to institute a new CRC for Humanities (B30) falls within this category and is especially curious given the CRC program is currently the subject of an evaluation that has not been completed.

Transport and Regional Services

The Department of Transport and Regional Services supports the Cabinet Submission on Higher Education Reforms (JH03/0120).

The ability of regional communities to develop sustainable economic activity and increase productivity is critically linked to their capacity to embrace learning and innovation. The engagement of regional education institutions and their flexibility to respond to regional needs is a key factor.

In particular, DOTARS supports the following initiatives which are important regional elements of this integrated package: regional loading (Attachment B.4) which recognises the higher costs in regional campuses; education and accommodation scholarships (Attachments B.16 and B.17); the Collaboration and Innovation Fund (Attachment B.34) which provides incentives for collaboration and innovation with regional communities, the Capital Development Pool (Attachment B.36) for strategic regional development initiatives and the Indigenous initiatives (Attachments B.19, B.20, B.21). .

DOTARS also supports the proposed National Governance Protocols (Attachment B7), and proposed need for legislative change of the Act underpinning the Australian Maritime College whose governance arrangements are under direct Commonwealth control.

Australian Taxation Office

The Australian Taxation Office (ATO) agrees with the recommendations of the submission.

The ATO administers student loan repayments through the income tax system. The ATO has the capability to introduce and administer the proposed new loan accounts where they remain based on the administrative design underpinning the HECS debtor arrangements. The ATO

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confirms that it does not have systems in place to manage interest bearing student loans as proposed under (Option 2) in Attachment G and that such loans would be complex and costly to implement and administer.

The ATO advises that an amendment to section 26-20 of the Income Tax Assessment Act 1997 may be required to ensure that loan repayments under the proposed FEE-HELP, E-HELP and OS-HELP arrangements are not tax deductible. Further, while it is not raised in the submission, any intention to deny deductibility (as self-education expenses) for the items for which the loan funds are used would also require an amendment to section 26-20 of the Income Tax Assessment Act 1997.

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ATTACHMENTS REFERRED TO IN CABINET SUBMISSION JH03/0120

HIGHER EDUCATION REFORM

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ATTACHMENT B

MAJOR AND MINOR NEW POLICY PROPOSALS FOR ERC CONSIDERATION

Summary of New Policy Proposals

Title	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)	Attach
Commonwealth Grant Scheme – Funding by discipline mix (DEST)					B.1
Resourcing	0.0	- 8.00	- 8.78	- 9.03	
Fiscal Balance	0.0	8.00	8.78	9.03	
Underlying Cash	0.0	4.00	8.39	8.91	
Commonwealth Grant Scheme – 7.5 per cent increase in grant over 3 years (DEST)					B.2
Resourcing	0.0	69.64	142.33	218.20	
Fiscal Balance	0.0	- 69.64	- 142.33	- 218.20	
Underlying Cash	0.0	- 34.82	- 105.99	- 180.27	
Transition funds (DEST)					B.3
Resourcing	0.0	12.62	0.0	0.0	
Fiscal Balance	0.0	- 12.62	0.0	0.0	
Underlying Cash	0.0	- 6.31	- 6.31	0.0	
Regional Loading (DEST)					B.4
Resourcing	27.91	30.28	31.45	32.91	
Fiscal Balance	- 27.91	- 30.28	- 31.45	- 32.91	
Underlying Cash	- 13.95	- 29.09	- 30.87	- 32.18	
Conversion of marginal places (DEST)					B.5
Resourcing	0.0	64.80	118.69	164.07	
Fiscal Balance	0.0	- 64.80	- 118.69	- 164.07	
Underlying Cash	0.0	- 32.40	- 91.75	- 141.38	
Growth places (DEST)					B.5
Resourcing	0.0	0.0	0.0	10.92	
Fiscal Balance	0.0	0.0	0.0	- 10.92	
Underlying Cash	0.0	0.0	0.0	- 5.46	
Funding Agreements (DEST)					B.6
Resourcing	0.0	0.0	0.0	0.0	
Fiscal Balance	0.0	0.0	0.0	0.0	
Underlying Cash	0.0	0.0	0.0	0.0	
National Protocols on Governance (DEST)					B.7
Resourcing	0.0	0.0	0.0	0.0	
Fiscal Balance	0.0	0.0	0.0	0.0	
Underlying Cash	0.0	0.0	0.0	0.0	

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Workplace Productivity Programme (DEST)					B.8
Resourcing	0.0	0.0	27.34	27.94	
Fiscal Balance	0.0	0.0	- 27.34	- 27.94	
Underlying Cash	0.0	0.0	- 13.67	- 27.64	
National Priorities – Teaching – increase Commonwealth contribution (DEST)					B.9
Resourcing	0.0	26.55	27.14	27.74	
Fiscal Balance	0.0	- 26.55	- 27.14	- 27.74	
Underlying Cash	0.0	- 13.28	- 26.85	- 27.44	
National Priorities – Teaching – decrease student contribution (DEST)					B.9
Resourcing	0.0	26.55	27.14	27.74	
Fiscal Balance	0.0	- 26.55	- 27.14	- 27.74	
Underlying Cash	0.0	- 13.28	- 26.85	- 27.44	
National Priorities – Nursing – increase Commonwealth contribution (DEST)					B.10
Resourcing	9.75	9.97	10.19	10.41	
Fiscal Balance	- 9.75	- 9.97	- 10.19	- 10.41	
Underlying Cash	-4.88	- 9.86	- 10.08	- 10.30	
National Priorities – Nursing – decrease student contribution (DEST)					B.10
Resourcing	0.0	9.97	10.19	10.41	
Fiscal Balance	0.0	- 9.97	- 10.19	- 10.41	
Underlying Cash	0.0	- 4.98	- 10.08	- 10.30	
National Priorities – Additional Nursing Places (DEST)					B.10
Resourcing	2.10	3.75	5.06	6.12	
Fiscal Balance	- 2.10	- 3.75	- 5.06	- 6.12	
Underlying Cash	- 1.05	- 2.92	- 4.41	- 5.59	
National Priorities – 1400 additional places (DEST)					B.11
Resourcing	0.0	7.20	7.36	7.52	
Fiscal Balance	0.0	- 7.20	- 7.36	- 7.52	
Underlying Cash	0.0	- 3.60	- 7.28	- 7.44	
HECS-HELP – New Arrangements (DEST)					B.12
Resourcing	0.0	12.60	103.96	74.52	
Fiscal Balance	0.0	17.56	21.66	25.03	
Underlying Cash	0.0	6.28	5.68	1.64	
FEE-HELP (DEST)					B.13
Resourcing	0.0	21.40	46.32	58.82	
Fiscal Balance	0.0	18.72	52.30	81.42	
Underlying Cash	0.0	0.0	0.19	1.25	

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E-HELP (DEST)					B.14
	Resourcing	0.0	30.81	63.08	66.17
	Fiscal Balance	0.0	26.33	56.01	62.94
	Underlying Cash	0.0	0.0	0.0	0.0
OS-HELP (DEST)					B.15
	Resourcing	0.0	3.88	11.91	20.49
	Fiscal Balance	0.0	3.75	11.81	21.02
	Underlying Cash	0.0	0.0	0.0	0.0
Commonwealth Education Costs Scholarships (DEST)					B.16
	Resourcing	5.00	15.38	26.25	37.68
	Fiscal Balance	- 5.00	- 15.38	- 26.25	- 37.68
	Underlying Cash	- 2.50	- 10.19	- 20.82	- 31.97
Commonwealth Accommodation Scholarships (DEST)					B.17
	Resourcing	7.50	23.07	39.38	56.52
	Fiscal Balance	- 7.50	- 23.07	- 39.38	- 56.52
	Underlying Cash	- 3.75	- 15.29	- 31.23	- 47.95
Australian Postgraduate Award Scheme – growth (DEST)					B.18
	Resourcing	0.0	0.0	0.21	0.58
	Fiscal Balance	0.0	0.0	- 0.21	- 0.58
	Underlying Cash	0.0	0.0	- 0.10	- 0.39
Indigenous Staff Scholarships (DEST)					B.19
	Resourcing	0.16	0.16	0.16	0.17
	Fiscal Balance	- 0.16	- 0.16	- 0.16	- 0.17
	Underlying Cash	- 0.08	- 0.16	- 0.16	- 0.17
Indigenous Support Fund (DEST)					B.20
	Resourcing	0.0	1.68	3.43	5.26
	Fiscal Balance	0.0	- 1.68	- 3.43	- 5.26
	Underlying Cash	0.0	- 0.84	- 2.56	- 4.35
Indigenous Higher Education Advisory Council (DEST)					B.21
	Resourcing	0.26	0.27	0.27	0.28
	Fiscal Balance	- 0.26	- 0.27	- 0.27	- 0.28
	Underlying Cash	- 0.13	- 0.26	- 0.27	- 0.28
Higher Education Equity Programme (DEST)					B.22
	Resourcing	0.0	2.26	2.31	2.36
	Fiscal Balance	0.0	- 2.26	- 2.31	- 2.36
	Underlying Cash	0.0	- 1.13	- 2.28	- 2.33

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Students with Disabilities (DEST)					B.23
	Resourcing	0.0	1.07	1.09	1.12
	Fiscal Balance	0.0	- 1.07	- 1.09	- 1.12
	Underlying Cash	0.0	- 0.53	- 1.08	- 1.11
Learning and Teaching Performance Fund (DEST)					B.24
	Resourcing	0.0	0.0	54.68	83.82
	Fiscal Balance	0.0	0.0	- 54.68	- 83.82
	Underlying Cash	0.0	0.0	- 27.34	- 69.25
National Institute for Learning and Teaching in Higher Education – Establishment and Administration (DEST)					B.25
	Resourcing	0.0	0.0	2.52	2.57
	Fiscal Balance	0.0	0.0	- 2.52	- 2.52
	Underlying Cash	0.0	0.0	- 1.26	- 2.54
National Institute for Learning and Teaching in Higher Education – Grants and Research (DEST)					B.25
	Resourcing	0.0	0.0	19.36	19.78
	Fiscal Balance	0.0	0.0	- 19.36	- 19.78
	Underlying Cash	0.0	0.0	- 9.68	- 19.57
Australian Awards for University Teaching (DEST)					B.26
	Resourcing	0.0	0.0	2.68	2.74
	Fiscal Balance	0.0	0.0	- 2.68	- 2.74
	Underlying Cash	0.0	0.0	- 1.34	- 2.71
Research Performance Fund (DEST)					B.27
	Resourcing	0.0	0.0	27.34	55.88
	Fiscal Balance	0.0	0.0	- 27.34	- 55.88
	Underlying Cash	0.0	0.0	- 13.67	- 41.61
Research Training Scheme - growth (DEST)					B.28
	Resourcing	0.0	0.0	3.82	7.10
	Fiscal Balance	0.0	0.0	- 3.82	- 7.10
	Underlying Cash	0.0	0.0	- 1.91	- 5.46
Research Training Scheme Supplementation (DEST)					B.29
	Resourcing	0.0	0.0	14.00	14.31
	Fiscal Balance	0.0	0.0	- 14.00	- 14.31
	Underlying Cash	0.0	0.0	- 7.00	- 14.15
Cooperative Centres for Applied Scholarship (DEST)					B.30
	Resourcing	0.0	0.0	5.47	11.18
	Fiscal Balance	0.0	0.0	- 5.47	- 11.18
	Underlying Cash	0.0	0.0	- 2.73	- 8.32

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Amalgamation of AIMS and JCU					B.31
	Resourcing	0.0	0.0	0.0	0.0
	Fiscal Balance	0.0	0.0	0.0	0.0
	Underlying Cash	0.0	0.0	0.0	0.0
Backing Australia's Ability – Systematic Infrastructure Initiative (DEST)					B.32
	Resourcing	0.0	0.0	0.0	58.41
	Fiscal Balance	0.0	0.0	0.0	- 58.41
	Underlying Cash	0.0	0.0	0.0	- 29.20
Backing Australia's Ability – Research Infrastructure Block Grant (DEST)					B.33
	Resourcing	0.0	0.0	0.0	118.62
	Fiscal Balance	0.0	0.0	0.0	- 118.62
	Underlying Cash	0.0	0.0	0.0	- 59.31
Collaboration and Innovation Fund (DEST)					B.34
	Resourcing	0.0	6.30	11.91	28.94
	Fiscal Balance	0.0	- 6.30	- 11.91	- 28.94
	Underlying Cash	0.0	- 3.15	- 9.10	- 20.42
Ministerial Council for Business/Industry/University Collaboration (DEST)					B.35
	Resourcing	0.0	0.21	0.22	0.22
	Fiscal Balance	0.0	- 0.21	- 0.22	- 0.22
	Underlying Cash	0.0	- 0.11	- 0.22	- 0.22
Capital Development Pool (DEST)					B.36
	Resourcing	0.0	0.0	9.67	9.88
	Fiscal Balance	0.0	0.0	- 9.67	- 9.88
	Underlying Cash	0.0	0.0	- 4.83	- 9.77
Australian Universities Quality Agency (DEST)					B.37
	Resourcing	0.0	0.59	0.60	0.61
	Fiscal Balance	0.0	- 0.59	- 0.60	- 0.61
	Underlying Cash	0.0	- 0.29	- 0.59	- 0.61
Graduate Skills Assessment (DEST)					B.38
	Resourcing	0.0	0.27	0.27	0.28
	Fiscal Balance	0.0	- 0.27	- 0.27	- 0.28
	Underlying Cash	0.0	- 0.13	- 0.27	- 0.28
Marcus Oldham Buyout (DEST)					B.39
	Resourcing	2.09	0.0	0.0	0.0
	Fiscal Balance	- 2.09	0.0	0.0	0.0
	Underlying Cash	- 1.05	- 1.05	0.0	0.0
Higher Education Information Management System (DEST)					B.40
	Resourcing	4.26	5.43	5.14	5.34
	Fiscal Balance	- 4.26	- 5.43	- 5.14	- 5.34
	Underlying Cash	-2.13	- 4.85	- 5.28	- 5.24

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Promotional costs (DEST)					B.41
Resourcing	1.67	0.64	0.66	0.67	
Fiscal Balance	- 1.67	- 0.64	- 0.66	- 0.67	
Underlying Cash	- 0.84	- 1.16	- 0.65	- 0.66	
Institutions and DEST implementation oncosts (DEST)					B.42
Resourcing	12.30	6.42	6.56	6.71	
Fiscal Balance	- 12.30	- 6.42	- 6.56	- 6.71	
Underlying Cash	- 6.15	- 9.36	- 6.49	- 6.63	
TOTAL PROPOSED MEASURES:					
Resourcing	73.01	385.78	861.37	1285.96	
Fiscal Balance	- 73.01	- 250.73	- 494.33	- 875.56	
Underlying Cash	- 36.50	- 188.77	- 470.73	- 848.15	

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ATTACHMENT B.1

Measure Title: Commonwealth Grant Scheme (CGS) – Funding by discipline mix

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	- 8.00	- 8.78	- 9.03
Measure – Total change in Resourcing: (A+B)	0.0	- 8.00	- 8.78	- 9.03
Measure Total (Impact on Fiscal Balance):	0.0	8.00	8.78	9.03
Measure Total (Impact on Underlying Cash):	0.0	4.00	8.39	8.91
Current Resourcing University operating grants less HECS contributions and workplace reform funding	2910.38	2981.76	3047.58	3114.86

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Supporting Information:

The Commonwealth currently provides universities with block grants determined largely on the basis of historical factors. This means that funding is distributed according to a 'one-size-fits-all' model, with no real incentives for institutions to diversify or specialise their course offerings, or engage with their local communities. The current annual indexation for higher education does not recognise that universities' cost structures have risen in more fundamental ways through factors outside their control, such as increased global competition for academics, and changes in the value of the Australian dollar. The majority of submissions to the Review expressed strong interest in funding issues, with near unanimity on the need for change. There was widespread support for increased funding (whether from the Commonwealth or from other sources including State/Territory governments, industry or students); increased diversity and specialisation between universities while maintaining links between research and learning; and greater attention to the needs of regional universities.

The Commonwealth will provide a contribution, set by discipline, towards the cost of an agreed number of places. The number and discipline mix of places that the Commonwealth will support will be negotiated with each institution, on a rolling triennium basis, in the context of the institution's strategic mission and course provision and strengthened Commonwealth/State consultation and workforce planning arrangements.

Institutions will receive the Commonwealth contribution, for the agreed number of places, providing the institution delivers the agreed number of places each year within two per cent of the overall target. Institutions will be subject to penalties for enrolling non full fee paying students beyond the two per cent limit. Unfilled places from institutions that constantly enrol

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below targets will be redistributed to other universities according to Commonwealth priorities.

The Commonwealth contribution will be paid according to the discipline mix actually delivered in a year provided that the total increase in the Commonwealth contribution does not exceed one per cent of the contribution that would have been payable on the agreed discipline mix. Variations in Commonwealth contribution from changes in discipline mix, where this is agreed in negotiation with the Commonwealth, will be used to reset the funding base for future years for the institution.

In this way the maximum level of Budget uncertainty would be limited to one per cent in any year. However, the likely level of exposure is expected to be much lower, given that the level of movement across discipline groups is constrained by a number of factors, including:

- the long term nature of undergraduate courses (between three and five years);
- the high level of infrastructure underpinning most higher education courses; and
- the relative inflexibility of changing staffing profiles over short periods.

The Commonwealth contribution per student place will be set in 10 standard clusters (plus additional special clusters for national priorities), as shown in the tables below, based on:

- cost of delivery;
- private rate of return; and
- national priorities.

Table B1 – Standard Funding Clusters

Standard Funding Cluster	**Disciplines within Cluster**	**Commonwealth Contribution**
Cluster 1	Law	$1,651
Cluster 2	Accounting, Administration, Economics, Commerce	$2,715
Cluster 3	Humanities	$4,573
Cluster 4	Mathematics, Statistics	$5,401
Cluster 5	Behavioural Science, Social Studies	$7,260
Cluster 6	Computing, Built Environment, Health	$8,086
Cluster 7	Foreign Languages, Visual and Performing Arts	$9,945
Cluster 8	Engineering, Science, Surveying	$13,459
Cluster 9	Dentistry, Medicine, Veterinary Science	$16,871
Cluster 10	Agriculture	$17,935

Table B2 – National Priority Funding Clusters

National Priority Funding Cluster	**Commonwealth Contribution**
Teaching	$8,721
Nursing	$11,406

The Commonwealth will set its contribution rate for each standard funding cluster and will negotiate with each institution on the total number of places and the discipline mix of those places it is prepared to support. The total Commonwealth course contribution provided to an institution for its agreed level of supported places will be the sum of the number of places in

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each discipline by the funding rate for that discipline. As institutions' profiles have changed over time, some institutions will take longer to adjust to the new arrangements. A transitional fund will be established for 2005 to ensure no institution is worse off in that year under the new framework (see Attachment B.3). Institutions will be required to set an indicative fee for each course they offer domestic students. The student contribution will equal the difference between the Commonwealth contribution and the fee established by the institution for each subject the student undertakes.

The distribution of the Commonwealth Grant Scheme ensures that universities are funded according to the cost of the programmes that they run. Not implementing this scheme would deter specialisation as universities may choose to run low cost courses to cross-subsidise more expensive ones. This proposal will benefit institutions that have been historically under-funded due to inequities in the current distribution of funds. Commonwealth funding to institutions will become transparent and fairer and the distribution between institutions will be more easily justifiable. The availability of information on the share of Commonwealth course contributions to student course contributions will make the extent of Commonwealth subsidisation clear to students, who otherwise tend to believe that the subsidies are minimal or non-existent.

Some amendments to other aspects of the Commonwealth Grant Scheme are also necessary to support the change to fund by discipline. The current arrangements for domestic full fee-paying arrangements will be changed so that the potential maximum number of domestic undergraduate fee-paying places in any course will be increased from 25 to 50 per cent of domestic places, excluding employer/industry funded places (except for medicine). In the case of medical school places, there will only be partial deregulation with restrictions continuing on the overall level of intake places and the proportion of places that can be full fee-paying. Gradual relaxation to incorporate full fee paying places will be jointly agreed between the Education and Health portfolios. With any expansion of medical places (either Commonwealth supported or full fee-paying), overall levels of medical intakes would continue to be controlled by the Commonwealth. Institutions would be required to demonstrate to the Health portfolio that medical schools had suitable numbers of internships available for students for clinical training. The Health portfolio would continue to take account of medical workforce planning in setting appropriate levels. The Education and Health portfolios would work jointly in relation to these controls in a more deregulated higher education environment, with both Ministers agreeing appropriate levels of medical school places.

A learning entitlement will be introduced where students in non-research Commonwealth supported places will initially be entitled to a maximum of five years equivalent full-time study in a Commonwealth supported place. This will provide more opportunities for Australian students to gain access to a Commonwealth supported place as the limit will increase the number of new places by up to 4 per cent, which are freed by students who have exhausted their entitlement. The five year entitlement will be extended beyond the five years to cover students undertaking a degree in an area which has a minimum vocational requirement of more than five years (e.g. medicine or double degrees with honours). All Australian citizens will accrue a five year entitlement on 1 January 2005. To encourage life-long learning students will also receive an additional entitlement after a certain number of years (details will be finalised before 2007).

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New arrangements will be established for employer/industry courses and places, to put public universities on an equivalent basis to competing private providers. The Commonwealth will not support places where employers or industry have negotiated to restrict access to those places to employees or potential employees. This means that students in those places will not be able to use their Commonwealth Learning Entitlement in those places or have access to HECS loans to meet any related fees. They will have access to FEE-HELP loans. It is proposed that new tax incentives will be investigated with the Australian Taxation Office to encourage greater employer/industry investment in higher education, in particular in course provision.

The Commonwealth Grant Scheme will be reviewed in 2010-2011 as per the cabinet submission, where it will be assessed against its capacity to provide a stable funding base for public universities, whilst promoting equity and quality.

Implementation Date:

The Commonwealth Grant Scheme will take effect in 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Legislation and Regulations:

Changes to legislation and regulations are required to link the Commonwealth Grant Scheme to the provision of student places, to provide for reductions in Learning Entitlement when students are in Commonwealth supported places and to define the benefits available to Commonwealth supported students (eg: HECS).

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ATTACHMENT B.2

Measure Title: Commonwealth Grant Scheme (CGS) – 7.5 per cent increase in grant

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	69.64	142.33	218.20
Measure – Total change in Resourcing: (A+B)	0.0	69.64	142.33	218.20
Measure Total (Impact on Fiscal Balance):	0.0	- 69.64	- 142.33	- 218.20
Measure Total (Impact on Underlying Cash):	0.0	- 34.82	- 105.99	- 180.27
Current Resourcing	0.0	0.0	0.0	0.0

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Supporting Information:

To ensure the long term sustainability and viability of the sector concurrently with the deregulation of the sector, additional Commonwealth funding will be provided through a gradual increase of 2.5 per cent per year for three years in the Commonwealth contribution per place, growing to 7.5 per cent by 2007. The increase in funding under the Commonwealth Grant Scheme will meet calls from the sector for more support and better recognise the cost structures faced by universities wishing to maintain or increase their international competitiveness.

This increase to the Commonwealth contribution per place will benefit all universities. Failing to implement this measure will seriously undermine the financial stability of a number of institutions and the overall sustainability of a quality higher education sector. Increasing the Commonwealth contribution will also be an extremely important balancing measure to the deregulation of course fees. Australian students are already very significant contributors to the financing of higher education compared to their overseas peers, and deregulation of course fees will potentially increase their contribution further. Failing to also increase the Commonwealth's contribution as fees are deregulated will make the government vulnerable to criticism that it is neglecting its funding responsibilities for higher education.

This increase will be conditional on the implementation of the National Governance Protocols for Public Higher Education Institutions (refer to Attachment B.7).

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Implementation Date:

The increase in Commonwealth contribution per place will be phased in progressively, with a 2.5 percent increase in 2005, 5 percent in 2006, and 7.5 percent in 2007.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Legislation and Regulations:

Legislation would be required to make increases to the CGS conditional on meeting the protocols. See additional comments under National Protocols for Governance, Attachment B.7.

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ATTACHMENT B.3

Measure Title: Transition funds

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	12.62	0.0	0.0
Measure – Total change in Resourcing: (A+B)	0.0	12.62	0.0	0.0
Measure Total (Impact on Fiscal Balance):	0.0	- 12.62	0.0	0.0
Measure Total (Impact on Underlying Cash):	0.0	- 6.31	- 6.31	0.0
Current Resourcing	0.0	0.0	0.0	0.0

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Supporting Information:

The shift from Operating Grants to the Commonwealth Grant Scheme (CGS) in 2005 will result in a loss in Commonwealth funding for some institutions. Increases to the CGS and the implementation of other reform initiatives in later years will resolve most of these institutional losses. A transition fund will be available in 2005 to ensure that institutions, that would otherwise lose funding as a result of the reforms, can maintain existing programmes through that transition year.

Affected institutions and their students will benefit from this fund, because it will prevent institutions from temporarily cutting programmes that rely on Commonwealth income. This fund will also enable the Government to honour commitments made during the Higher Education Review that no university would be worse off as a result of the reforms.

Implementation Date:

The transition fund will commence in 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

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ATTACHMENT B.4

Measure Title: Regional Loading

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	27.91	30.28	31.45	32.91
Measure – Total change in Resourcing: (A+B)	27.91	30.28	31.45	32.91
Measure Total (Impact on Fiscal Balance):	- 27.91	- 30.28	- 31.45	- 32.91
Measure Total (Impact on Underlying Cash):	- 13.95	- 29.09	- 30.87	- 32.18
Current Resourcing	0.0	0.0	0.0	0.0

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Supporting Information:

Universities which provide places at regional campuses face higher costs as a result of location, size and history. Regional campuses generally have less potential to diversify revenue sources which further constrains their ability to manage labour and capital resources. They typically have a smaller asset base which limits potential income generation and a smaller capacity to compete for fee-paying students. Regional areas have a narrower industrial base providing fewer opportunities for commercial partnerships. Precedents for additional assistance for regional campuses exist in terms of the funding which the Commonwealth currently provides to the Northern Territory University, the Broome campus of the University of Notre Dame Australia and James Cook University's access centre in the Torres Strait. However, this additional funding is neither transparently nor uniformly applied, despite the clear and immediate need of regional universities with similar challenges. Assistance for other regional campuses is required to create equity between regional campuses and to ensure that students from rural and regional areas in particular are able to access a quality higher education.

A new regional loading will be applied to non-metropolitan campuses within the Commonwealth Grant Scheme. The loading will compensate regional campuses for higher costs due to their isolation and limited ability to achieve economies of scale. The regional loading will be established according to two criteria – distance from the closest main-land State capital and size of institution – and applied according to the number of places at non-metropolitan campuses. The regional loading will be set in a number of bands, as indicated in the table below, with non-metropolitan campuses allocated to bands according to the above criteria. The Northern Territory University and Batchelor Institute of Indigenous Tertiary Education will be in the first band receiving the highest regional loading. Proximate and relatively large regional campuses, for example campuses in Victorian provincial areas, would

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be placed in the fourth band receiving the smallest regional loading. ACT campuses would not receive any loading.

Table B3 – Regional loading bands

Band	Loading criteria	Number of regional campuses	Regional loading
1	Northern Territory	2	1.300
2	Distant and small	9	1.075
3	Proximate and small *or* distant and large	27	1.050
4	Proximate and large	20	1.025

The regional loading will benefit regional institutions by compensating them for the higher costs associated with isolation and their inability to achieve economies of scale. The regional loading will also have a positive impact on the regions in which higher education institutions are located by assisting the viability of the institution within the community. The loading will benefit students from regional backgrounds, assuring that they can choose to undertake study at a quality higher education institution without having to move into the city to do so. Failing to implement this proposal could undermine the financial stability of some regional institutions and consequently jeopardise the important contribution that these institutions play in their regional communities.

The regional loading will be reviewed in 2010-2011 as per the cabinet submission, against its capacity to assist regional institutions meet the additional costs related to the provision of higher education courses in regional areas.

Implementation Date:

The regional loading be applied from 2004.

Termination Date

N/A

Community/Regional/Small Business Impact:

The regional loading would clearly benefit those regional centres in which institutions are located.

Impact Statement

***Non-Capital city population centres**	**Under 10,000**	**Under 25,000**	**Over 25,000**	**Other**
1. Services				
Education	NA	NA	NA	P
Infrastructure	NA	NA	NA	P
Social	NA	NA	NA	P
2. Employment	NA	NA	NA	P
3. Investment	NA	NA	NA	NT

N=Negative P=Positive NT=Neutral NA=Not Applicable

*Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classifications (1991)

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ATTACHMENT B.5

Measure Title: Marginal Place Conversion and Growth Places

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

Conversion of Marginal Places

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	64.80	118.69	164.07
Measure – Total change in Resourcing: (A+B)	0.0	64.80	118.69	164.07
Measure Total (Impact on Fiscal Balance):	0.0	- 64.80	- 118.69	- 164.07
Measure Total (Impact on Underlying Cash):	0.0	- 32.40	- 91.75	- 141.38
Current Resourcing	0.0	0.0	0.0	0.0

Growth Places

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	0.0	10.92
Measure – Total change in Resourcing: (A+B)	0.0	0.0	0.0	10.92
Measure Total (Impact on Fiscal Balance):	0.0	0.0	0.0	- 10.92
Measure Total (Impact on Underlying Cash):	0.0	0.0	0.0	- 5.46
Current Resourcing	0.0	0.0	0.0	0.0

Supporting Information:

In 2001 universities enrolled 25,000 students more than the target number supported by the Commonwealth. The Commonwealth currently provides marginal funding of approximately $2,700 per equivalent full time student unit for these "over-enrolments". While marginal funding of over-enrolments has been useful to accommodate changes in demand, current high levels of over-enrolment in some institutions have led to serious concerns about the quality of education provided. Although growth in fee-paying places is anticipated to be sufficient to accommodate population pressures until 2007, additional sector growth will be required from 2007 through until 2014, when the student age population is projected to peak. The distribution of growth in student age population will vary considerably between states, with strong pressures expected in the Northern Territory, Queensland and Western Australia.

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Marginally funded places will be phased out and replaced by Commonwealth supported places. All Commonwealth supported places will be funded according to the funding clusters (see Attachment B.1). This, together with the setting of supported student targets and increased access for domestic full-fee payers, will ensure that the quality of education provided to students in supported places cannot be undermined by unfettered and unfunded growth. Although the conversion of marginally funded places to Commonwealth supported places will mean that institutions will receive Commonwealth support for more of their students, this will not result in an increase in the number of higher education students. Given its commitment to the conversion of marginally funded students, the Commonwealth will not provide growth to the sector, other than in national priority areas, until 2007. Any growth in the sector up to this time will be met by domestic full-fee paying students. Beyond 2007, the number of Commonwealth supported places will be increased in accordance with projected population growth (1,400 additional places in 2007). Converted marginal places and growth places will be allocated on the basis of Commonwealth priorities, taking into account the outcomes of discussions with States and Territories.

The conversion of marginal places to Commonwealth supported places is likely to benefit publicly funded higher education institutions, where the Commonwealth funding for educating marginally funded students does not currently reflect the cost of educating these students. Failure to implement this initiative could reduce the financial viability of some institutions or lead to drops in higher education student numbers as institutions reduce the number of over-enrolled students. Without appropriate funding of the real costs of provision of places, further compromises in quality are likely. Failure to provide growth places from 2007 is likely to undermine the higher education sector's ability to meet future demand for higher education due to population growth.

This measure will be assessed in 2010-2011 as per the cabinet submission, against its capacity to meet the maintain opportunities for Australians to undertake higher education.

Implementation Date:

The conversion of marginal places to Commonwealth supported places will commence in 2005 and growth funding will commence in 2007.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

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ATTACHMENT B.6

Measure Title: Funding Agreements

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Regulation through Legislation

Under the *Higher Education Funding Act* (HEFA) the Commonwealth provided an operating grant to each higher education institution on the basis of a "profiles" agreement with no legal status. New legislation will be introduced to replace HEFA and underpin the reform package. The relationship between the Commonwealth and individual institutions will be significantly more formal.

The legislation will stipulate that institutions will be required to meet specific conditions before becoming eligible for assistance under the package. These conditions relate to: accreditation of institution and course; admission procedures; fee arrangements; participation in the Higher Education Information Management System (HEIMS); governance; workplace relations; accountability and student grievance and appeal procedures.

Additional pre-requisites will apply to funding under particular elements of the package. Attachment H sets out conditions which apply to all elements of the package and conditions specific to particular elements of the package.

Regulation through Commonwealth-Institution Funding Agreement

In addition to the provisions in the legislation, a formal funding agreement will be set up between each institution and the Commonwealth, with some general provisions and others specific to the individual institution.

- The institution will agree to deliver a specified number of supported places in specified course disciplines, and the Commonwealth will agree to provide a contribution for each of the course places delivered (within two per cent of the total specified number).
- The institution will be subject to penalties for enrolling non full fee paying students beyond a two per cent limit and will have its target adjusted for under enrolling non full fee paying students beyond a two per cent limit.
- The institution will agree to adhere to the National Protocols on Governance.
- The institution will be required to phase out marginally funded places at an agreed rate.

It is suggested that the term "contract" not be used to describe the arrangements which the Commonwealth will make with each higher education institution. "Contract" implies a legally binding arrangement which allows either party to sue the other. In addition, penalties for non-compliance would be already legally binding because they are enshrined in legislation. It would be more desirable to have some degree of flexibility/discretion and to allow for negotiation between the two parties, particularly in the initial phase of implementation of the reforms.

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Possible alternatives include "Agreement" and "Memorandum of Understanding". While legal advice would need to be sought on the advantages and disadvantages of both, it appears that an MOU is generally a public agreement, which is inappropriate for a university. The preliminary view is to favour the term "Funding Agreement".

Implementation Date:

The funding agreements will come into effect for 2005 funding.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Legislation/Regulation:

Changes to legislation or regulations are required.

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ATTACHMENT B.7

Measure Title: National Governance Protocols

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

The National Governance Protocols for Public Higher Education Institutions will strengthen university governance by increasing the increasing the responsibilities of university councils to oversee commercial activities, require councils to discharge these responsibilities in a transparent way, protect the public interest and be open to public scrutiny. It is likely that the implementation of these protocols will receive strong opposition from all State and Territory Governments, given every State and Territory will be required to amend legislation by 2005. I propose to make the incremental increases in the Commonwealth Grant Scheme (2.5 per cent in 2005, increasing to 7.5 per cent increase in the Commonwealth contribution per student place by 2007) conditional on the implementation of these Protocols. The conditionality of the funding will not only be enshrined in legislation but also be an important element of the new funding agreements between an institution and the Commonwealth.

Amendments will be sought to the legislation of two institutions under direct Commonwealth control, namely the Australian National University and the Australian Maritime College, to ensure that their governance arrangements reflect best practice and adhere to the national protocols.

Seed funding for 2003 will be provided for the establishment of an Association of Governing Bodies of Australian Universities to improve the capabilities of university leadership by coordinating and promoting professional development opportunities for members of university governing bodies.

The following National Protocols are proposed:

1. The institution must have its objects specified in the enabling legislation.

2. The institution's governing body should adopt a statement of its primary responsibilities, which includes:
    - appointing the vice chancellor as the chief executive officer of the institution, and monitoring his / her performance;
    - approving the mission and strategic direction of the institution, as well as the annual budget and business plan;
    - responsibility for the sound management of the institution, including responsibility for approving commercial activities;
    - defining policy and procedures consistent with legal requirements and community expectations;
    - establishing and monitoring systems of control and accountability, including monitoring any controlled entities;
    - reviewing and monitoring both the management of the institution and its performance as an institution; and
    - managing risk across the institution, including commercial undertakings.

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The institution's governing body should not delegate approval of the annual budget or business plan, and should not delegate other primary responsibilities.

3. The enabling legislation of the institution should specify the duties of the members of the governing body and sanctions for the breach of these duties. Each member should be appointed or elected *ad personam* and should be responsible and accountable to the governing body (council) and act solely in the interests of the university rather than as a delegate or representative of a particular constituency. Duties of members should include the requirements to:
    - act solely in the interests of the institution taken as a whole having regard for its objects;
    - act in good faith, honestly and for a proper purpose;
    - exercise appropriate care and diligence;
    - not improperly use their position to gain an advantage for themselves or someone else; and
    - disclose and avoid conflicts of interest.

    Sanctions should include a requirement that the governing body has the power to and must remove any member of the governing body from office if the member breaches the duties specified above, is or becomes disqualified from managing corporations under Part 2D.6 of the Corporations Act.

4. Each governing body should recommend a formal programme of professional development for members to build the expertise of the governing body and to ensure that all members are aware of the nature of their duties and responsibilities and provide financial assistance to members if necessary to enable their participation.

5. The size of the governing body is not to exceed 18 members. There should be at least two members having financial expertise and at least one member with commercial expertise. There should be a majority of external independent members on the governing body and not include current members of parliament.

6. The institution is to adopt systematic procedures for the nomination of prospective members of the governing body for appointment by the Governor in Council, the relevant Minister, or the council itself. This responsibility is to be delegated explicitly to a nominations committee of council. The institution is to publicly nominate at least one preferred candidate for any current or imminent vacancy on the governing body to be appointed by the Governor in Council or relevant Minister.

7. The institution is to codify and collate its internal grievance procedures and publish them with information about the procedure for submitting complaints to the relevant ombudsman or equivalent relevant agency and lodging appeals with the AAT in relevant cases.

8. The annual report of the institution should be used for reporting on high level outcomes required by the Commonwealth.

9. The annual report of the institution must include a report on risk management within the organisation.

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10. The Institution must keep the Commonwealth Minister for Education informed of any significant event affecting the institution or its subsidiaries which may effect its capacity to meet its obligations under the relevant higher education act or as set out in its funding agreement with the Commonwealth.

11. The governing body is required to effectively oversee controlled entities which incur risk by;
    - ensuring that the entity's board possesses the skills, knowledge and experience; necessary to provide proper stewardship and control of the entity
    - appointing at least some, and preferably a majority, of independent directors to the board of the entity;
    - ensuring that the board regularly adopts and evaluates a written statement of its own governance principles;
    - ensuring that the board documents a clear corporate and business strategy which reports and updates annually the organisation's long-term objectives and includes an annual business plan containing achievable and measurable performance targets and milestones; and
    - establishing and documenting clear expectations of reporting to the governing body, such as a draft business plan for consideration and approval before the commencement of each financial year and at least quarterly reports against the business plan.

12. The institution must ensure that controlled entities established overseas submit financial statements in Australian currency that comply with generally accepted Australian Accounting Standards and other guidance issued by the Australian Accounting Standards Board. Where the entities (including companies, joint ventures, partnerships) controlled by an institution are not subject to audit by the State/Territory or Commonwealth Auditor-General, they should be audited by an external auditor and the auditor's management report provided to the institution's council.

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Legislation and Regulations:
Legislation would be required to make increases to the CGS conditional on meeting the National Protocols. Legislation would also be required to ensure that the enabling legislation of the institutions for which the Commonwealth is responsible (ANU and AMC) conforms to the protocols. Every State and Territory would be required to amend university enabling legislation for institutions within their jurisdiction.

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ATTACHMENT B.8

Measure Title: Workplace Productivity Programme

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

Workplace Productivity Programme

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	27.34	27.94
Measure – Total change in Resourcing: (A+B)	0.0	0.0	27.34	27.94
Measure Total (Impact on Fiscal Balance):	0.0	0.0	- 27.34	- 27.94
Measure Total (Impact on Underlying Cash):	0.0	0.0	- 13.67	- 27.64
Current Resourcing	0.0	0.0	0.0	0.0

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Supporting Information:

A Workplace Productivity Programme will be established to facilitate greater workplace reform in the higher education sector.

The new $27.3 million Workplace Productivity Programme will be made contingent on universities demonstrating a commitment to workplace reform through the implementation of flexible working arrangements and a focus on direct relationships with employees and improved productivity and performance. Below is an overview of the workplace relations assessment universities will need to meet. The details of the evidence universities will need to provide to demonstrate a commitment to workplace reform will be developed in conjunction with the Department of Employment and Workplace Relations.

Requirements for access to Workplace Productivity Programme

1. Flexible working arrangements

Universities are to have in place agreements and workplace policies and practices which maintain and/or enhance flexibility. Specifically, universities are required to demonstrate:

(a) their certified agreements and/or workplace policies and practices:

  (i) provide access to all agreement making options under the WR Act,

  (ii) do not restrict the forms of employment a university can utilise or impose arbitrary limitations on the usage of a particular form of employment, eg. casuals, and

  (iii) enable any employee to seek to negotiate an AWA; and

(b) they are actively offering individual employment arrangements to employees.

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2. Direct relationships

Universities are to have in place agreements and workplace policies and practices that promote and foster direct relations with employees. In particular, universities are required to demonstrate that their agreements and human resource policies and practices:

(a) emphasise direct communication and consultation with employees, with employee representation to be at the request of employees (ie. no uninvited third party intervention);

(b) protect freedom of association by respecting an employee's right to join a union of their choice or not to join a union and by neither encouraging or discouraging union membership, eg. by distributing union membership applications to new employees;

(c) ensure that consultative arrangements encompass all employees, including representatives of staff who are not union members; and

(d) do not enhance the right of entry provisions contained in the *Workplace Relations Act 1996*.

3. A focus on productivity and performance

Improvements in pay and conditions are to be linked to improvements in organisational productivity and performance.

Agreements and workplace policies and practices are to provide for a fair and open performance management system which links access to salary movements to an individual's performance and encourages and rewards high performance.

Evidence to be provided

The details of the evidence universities will need to provide to demonstrate a commitment to workplace reform is yet to be developed.

This programme will be reviewed in 2010 to 2011, when it will be assessed according to its capacity to encourage institutions to implement better workplace arrangements.

The Workplace Productivity Programme of $26.2 million is 1% of the nominal salary share of current grants to institutions excluding those administered for students.

In conjunction with the Minister for Employment and Workplace Relations, an amendment will be made to the *Workplace Relations Act 1996* to strengthen the power of the Australian Industrial Relations Commission to end protected industrial action where the actions of unions whose members are employed in key Commonwealth funded community services effect particularly vulnerable third parties. The specific intent of the legislation will be to preclude the withholding of examination results as protected action by university staff. The legislation is very unlikely to be passed by the Parliament. As such its practical effect is likely to be symbolic rather than real. Leading up to the imminent round of enterprise bargaining in the sector, vice-chancellors will be reminded of their responsibilities under the *Workplace Relations Act 1996,* focusing on their obligations under the strike pay provisions and suggesting more appropriate approaches to enterprise bargaining.

Implementation Date:

The Workplace Productivity Programme will commence in 2006.

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Termination Date

N/A

Community/Regional/Small Business Impact:

Regional Impact Statement:

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

Legislation/Regulation:

Amendments to the *Workplace Relations Act 1996* are required.

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*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.9

Measure Title: National Priorities - Teaching

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

Increasing Commonwealth Contribution

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	26.55	27.14	27.74
Measure – Total change in Resourcing: (A+B)	0.0	26.55	27.14	27.74
Measure Total (Impact on Fiscal Balance):	0.0	- 26.55	- 27.14	- 27.74
Measure Total (Impact on Underlying Cash):	0.0	- 13.28	- 26.85	- 27.44
Current Resourcing	0.0	0.0	0.0	0.0

Decreasing Student Contributions

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	26.55	27.14	27.74
Measure – Total change in Resourcing: (A+B)	0.0	26.55	27.14	27.74
Measure Total (Impact on Fiscal Balance):	0.0	- 26.55	- 27.14	- 27.74
Measure Total (Impact on Underlying Cash):	0.0	- 13.28	- 26.85	- 27.44
Current Resourcing	0.0	0.0	0.0	0.0

Supporting Information:

A new 'National Priorities' Student Contribution band will be established and initially set at a maximum of $3,695. The new band, which has a distinctively lower maximum student contribution level, will be used to attract students to courses that are a national priority for the Commonwealth. Commencing from 2005, this band will initially comprise nursing and teaching, bringing the student contribution in these disciplines down from $3,846 in 2002 (2005 prices) to a maximum of $3,695 in 2005 (2005 prices). The disciplines covered by this band may change from time to time.

The Commonwealth needs to have the capacity, within a partially deregulated higher education sector, to respond to current and emerging national needs of the labour market such

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as teaching. Employers are experiencing difficulty in recruiting teachers, particularly in rural and regional areas and in some specialist areas. Early advice from the national Review of Teachers and Teacher Education suggests that the need for further support for the teaching practicum in education courses will be an important issue. In addition, while demand and supply in this profession appears to be subject to a complex range of factors, there is some evidence that financial factors are more significant for teaching students than for students in other disciplines. It is imperative to ensure that HECS rates in teaching do not deter prospective students. In addition, increased Commonwealth support for students in areas of national priority may balance public perceptions of the impact of potential increases to student fees more generally.

Two measures are proposed to increase the supply of teachers:

- an increased Commonwealth contribution for institutions offering teaching to be directed to the teaching practicum; and
- additional Commonwealth support for education students in the form of lower maximum student contributions.

The Commonwealth has identified the national priority area of teaching from 2005, and will increase the Commonwealth contribution above the current levels. The increased Commonwealth funding will be directed to support the teaching practicum component of teaching courses. The Commonwealth will review national priorities periodically.

Failure to designate teaching as a national priority may lead to severe shortages in the number of qualified teachers in the teaching workforce, especially in rural areas and in certain disciplines. This initiative is likely to benefit students who wish to become teachers, by reducing the financial contribution they make to their education studies.

The designation of teaching as a higher education national priority will be assessed in 2010-2011 as per the cabinet submission, against its capacity to meet the needs of Australia's teaching workforce by providing an adequate supply of qualified teachers.

Implementation Date:

The national priority measures for teaching will take effect from 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Legislation/Regulation:

Changes to legislation are required.

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ATTACHMENT B.10

Measure Title: National Priorities - Nursing

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

Increasing Commonwealth Contribution

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	9.75	9.97	10.19	10.41
Measure – Total change in Resourcing: (A+B)	9.75	9.97	10.19	10.41
Measure Total (Impact on Fiscal Balance):	- 9.75	- 9.97	- 10.19	- 10.41
Measure Total (Impact on Underlying Cash):	-4.88	- 9.86	- 10.08	- 10.30
Current Resourcing	0.0	0.0	0.0	0.0

Decreasing Student Contributions

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	9.97	10.19	10.41
Measure – Total change in Resourcing: (A+B)	0.0	9.97	10.19	10.41
Measure Total (Impact on Fiscal Balance):	0.0	- 9.97	- 10.19	- 10.41
Measure Total (Impact on Underlying Cash):	0.0	- 4.98	- 10.08	- 10.30
Current Resourcing	0.0	0.0	0.0	0.0

Additional Nursing Places

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	2.10	3.75	5.06	6.12
Measure – Total change in Resourcing: (A+B)	2.10	3.75	5.06	6.12
Measure Total (Impact on Fiscal Balance):	- 2.10	- 3.75	- 5.06	- 6.12
Measure Total (Impact on Underlying Cash):	- 1.05	- 2.92	- 4.41	- 5.59
Current Resourcing	0.0	0.0	0.0	0.0

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Supporting Information:

A new 'National Priorities' Student Contribution band will be established and initially set at a maximum of $3,695. The new band, which has a distinctively lower maximum student contribution level, will be used to attract students to courses that are a national priority for the Commonwealth. Commencing from 2005, this band will initially comprise nursing and teaching, bringing the student contribution in these disciplines down from $3,846 in 2002 (2005 prices) to a maximum of $3,695 in 2005 (2005 prices). The disciplines covered by this band may change from time to time.

The Commonwealth needs to have the capacity, within a partially deregulated higher education sector, to respond to shortages in particular areas of the labour market such as nursing. Employers are experiencing difficulty in recruiting nurses, particularly in rural and regional areas and in some specialist areas. The final report of the National Review of Nursing argued the need for further support for nursing in universities, particularly in terms of the high costs of clinical practice in nursing. In addition, while demand and supply in the nursing profession appears to be subject to a complex range of factors, there is some evidence that financial factors are more significant for nursing students than for students in other disciplines. It is imperative to ensure that HECS rates in nursing do not deter prospective students. In addition, increased Commonwealth support for students in areas of national priority may balance public perceptions of the impact of potential increases to student fees more generally.

Three measures are proposed to increase the supply of nurses:

- increased Commonwealth contribution for institutions offering nursing to be directed to clinical practice;
- additional Commonwealth support for nursing students in the form of lower maximum student contributions; and
- the creation of additional nursing places.

The Commonwealth has identified the national priority area of nursing to take effect from 2004 and will increase the Commonwealth contribution above the current levels. The increased Commonwealth funding will be directed to support the clinical education elements of nursing courses. The Commonwealth will review national priorities periodically.

There is an urgent and pressing need to respond to the current shortage of nursing places being offered in light of the increasing demand for places and the shortage of trained nurses. An additional 210 nursing places, specifically for regional campuses across Australia, will be created to help address this need.

Failure to designate nursing as a national priority and not provide additional places for nursing education could lead to severe shortages in the supply of qualified nurses. This initiative is likely to benefit students who wish to undertake nursing degrees by producing more opportunities to undertake nursing courses and reducing the financial commitment they have to make to their study. Australia's health care system will benefit from an increased number of qualified nurses.

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The designation of nursing as a higher education national priority will be assessed in 2010-2011 as per the cabinet submission, against its capacity to meet the needs of Australia's nursing workforce by providing an adequate supply of qualified nurses.

Implementation Date:

The additional Commonwealth supported places for nursing will become available in 2004. The reduction in student HECS contributions for nursing places will begin in 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Legislation/Regulation:
Changes to legislation are required.

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National Archives of Australia NAA: A14370, JH2003/120/1

ATTACHMENT B.11

Measure Title: National Priorities – 1,400 additional places

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	7.20	7.36	7.52
Measure – Total change in Resourcing: (A+B)	0.0	7.20	7.36	7.52
Measure Total (Impact on Fiscal Balance):	0.0	- 7.20	- 7.36	- 7.52
Measure Total (Impact on Underlying Cash):	0.0	- 3.60	- 7.28	- 7.44
Current Resourcing	0.0	0.0	0.0	0.0

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Supporting Information:

The Commonwealth needs to have the capacity, within a partially deregulated higher education sector, to respond to current and emerging national needs such as the education of Indigenous students and shortages in particular areas of the labour market such as teaching and nursing. Employers are experiencing difficulty in recruiting both nurses and teachers, particularly in rural and regional areas and in some specialist areas. The Commonwealth currently supports students in a number of private higher education institutions. Not all of these course places are in areas of national priority and given the need to maximise effectiveness of Commonwealth funding, it is appropriate to rationalise this support.

The Commonwealth will set aside up to 1,400 Commonwealth supported places for allocation to private higher education institutions to meet specified national priorities where those priorities are not being met by public institutions. These 1,400 places will be inclusive of the 655 Commonwealth supported places currently provided by private institutions as indicated below. The remaining 745 priority places will be allocated on the basis of the Commonwealth's assessment of needs, in consultation with States/Territories on their labour market needs.

Avondale College and the University of Notre Dame Australia (UNDA) currently receive, and will continue to receive, funding for teacher education. UNDA will also continue to receive funding for Information and Communication Technology places. Commonwealth supported places are currently available to all students enrolled at the Broome campus of the UNDA. The Commonwealth will negotiate transitional arrangements with the University so that by 2007 Commonwealth supported places are provided predominantly to Indigenous students. The Commonwealth will continue its support for places at Avondale College and UNDA under the national priority policy places as follows:

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Table B4 - Commonwealth supported places in private higher education institutions

Institution	National Priority	Places
Avondale	Teacher education	235
University of Notre Dame Australia	Teacher education	165
	ICT	50 (135 by 2005)
	Places occupied by Indigenous Australians at the Broome campus	120

A number of private higher education institutions in a position to meet the needs of national priorities will benefit from this proposal, as will students wishing to study nursing and teaching and Indigenous students wanting to study in private institutions. The Commonwealth will also benefit through the additional numbers of students undertaking courses that lead to qualifications in high demand, and through the additional places on offer to Indigenous students. Failing to implement this proposal will on impact the labour market supply of teachers and nurses, as public institutions may be unable to meet demands in certain key areas. This initiative will also increase the opportunities for Indigenous students to undertake higher education.

This scheme will be assessed in 2010-2011 as per the cabinet submission, against its capacity to meet the needs of university places in national priorities.

Implementation Date:

655 places are already available with the remaining additional places available from 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Legislation/Regulation:
Changes to legislation or regulations are required to enable private institutions to receive Commonwealth funding for the provision of places in national priority areas.

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ATTACHMENT B.12

Measure Title: HECS-HELP

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcome: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	12.60	103.96	74.52
Measure – Total change in Resourcing: (A+B)	0.0	12.60	103.96	74.52
Measure Total (Impact on Fiscal Balance):	0.0	17.56	21.66	25.03
Measure Total (Impact on Underlying Cash):	0.0	6.28	5.68	1.64
Current Resourcing HECS, PELS, OLDPS and BOTPLS Schemes	327.642	318.707	299.167	319.041

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Supporting Information:

With the partial deregulation of course fees, institutions will have responsibility for determining student contributions and will receive the full value of these contributions. The Commonwealth will provide a contribution, according to the discipline funding clusters, for each student holding a supported place and will set maximum student contribution levels (see Attachment B.1). In setting student contribution levels, institutions will establish indicative fees for each course, however the actual student contribution for Commonwealth supported places will be dependent on the individual subjects students choose.

The ability to set course fees will offer institutions greater flexibility and will promote a more diverse higher education system. As student contribution levels will vary between courses and between institutions, a greater range of options will be available for students pursuing higher education in Australia.

HECS will remain the fundamental mechanism through which students can pay their student contribution. The essence of HECS as an income contingent, interest free loan will remain unchanged.

The Commonwealth will establish maximum student contribution levels in four bands, thus limiting the fees that institutions can set for Commonwealth supported places. The maximum student contribution levels will be set at 30 per cent above the existing rates for the three HECS Band levels and a lower rate will be introduced for the new 'National Priorities' band. There will be no minimum student contribution limits and institutions will be able to set student contribution levels for Commonwealth supported places as low as they like. The

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allocation of various fields of education to the four HECS bands is indicated in the table below.

Table B5 – Maximum Student Contribution Levels from 2005

HECS BAND	Maximum Student Contribution
National Priorities Band Nursing, Education	$3,695
BAND 1 Courses Behavioural Science, Visual and Performing Arts, Other Humanities, Other Languages, Other Social Studies	$5,010
BAND 2 Courses Accounting, Administration, Economics, Agriculture, Computing, Engineering, Mathematics/Statistics, Science, Surveying, Other Built Environment, Other Health	$7,137
BAND 3 Courses Dentistry, Law, Medicine, Veterinary Science	$8,355

The burden on lower income graduates will be reduced by increasing the minimum HECS repayment threshold. The minimum HECS repayment threshold will be increased from $24,365 (2002-03 financial year) to $30,000 (2005-06 financial year). The average graduate starting salary is currently $35,000.

A new 'National Priorities' Student Contribution band will be established and initially set at a maximum of $3,695. The new band, which has a distinctively lower maximum student contribution level, will be used to attract students to courses that are a national priority for the Commonwealth. Commencing from 2005, this band will initially comprise nursing and teaching, making the maximum student contribution payable at least $150 less than what would apply if the current HECS schedule is maintained. The disciplines covered by this band may change from time to time.

A learning entitlement will be introduced where students in non-research Commonwealth supported places will initially be entitled to a maximum of five years equivalent full-time study in a Commonwealth supported place. This will provide more opportunities for Australian students to gain access to a Commonwealth supported place as the limit will increase the number of new places by up to 4 per cent, which are freed by students who have exhausted their entitlement. The five year entitlement will be extended beyond the five years to cover students undertaking a degree in an area which has a minimum vocational requirement of more than five years (e.g. medicine or double degrees with honours). The appeal process dealing with the remission of student debt will also cover the learning entitlement. That is, when a student debt is removed the equivalent learning entitlement will be re-instated. All Australian citizens will accrue a five year entitlement on 1 January 2005. To encourage life-long learning students will also receive an additional entitlement after a certain number of years (details will be finalised before 2007).

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Discounts are currently offered to students who make upfront or early repayments on their contribution. The Commonwealth benefits from offering these discounts because they reduce subsidies inherent in the maintenance of long term student debts and reduce the national accumulated HECS debt. These benefits, however, need to be balanced with Commonwealth outlays associated with providing the discounts and public perceptions that the discounts make higher education less expensive for wealthier people.

The discount offered for up-front student contributions will be decreased from 25 per cent to 20 per cent to reduce the level of underlying cash required for Commonwealth supported higher education places and improve the fiscal balance. This change will also reduce the size of the benefit offered to students who have the means to pay their contribution up-front. To ensure that the option of paying up-front remains attractive to students and to make further savings, the bonus for voluntary repayments will also be reduced by five per cent to a new rate of 10 per cent.

Only Australian citizens and people with Australian permanent visas granted on humanitarian grounds will be able to defer student contributions through HECS-HELP. Permanent residents and New Zealand citizens will be able to hold a Commonwealth supported higher education place but will not have access to HECS loans. These limits ensure that the benefits of deferring student contributions remain focused on Australians and people with humanitarian needs. The new arrangements will require permanent residents and New Zealand citizens to pay their student contribution in an up-front payment without a discount.

The Australian Government Actuary has estimated that doubtful debt will increase from 21.37 to 23.87 per cent as a result of changes to HECS. This increase is considered reasonable given the purpose of student loans such as HECS. HECS has enabled, and continues to enable, expanded access to higher education by providing an equitable means for student contributions. Given the considerable public benefits of higher education, it is appropriate that a 'risk management' approach is used in determining measures to reduce Commonwealth costs associated with the provision of student loans. DEST continually monitors changes to the aggregate level of doubtful debt to ensure that the balance between the gains and losses associated with student loan provision remains in favour of the Commonwealth and the Australian public.

These new HECS arrangements will be reviewed in 2010-2011 as per the cabinet submission, when they will be assessed according to their capacity to ensure equitable and affordable access to higher education, while maximizing institutional flexibility and meeting national priorities.

Implementation Date:

This programme will begin on January 1, 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

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Legislation/Regulation:

Changes to legislation or regulations are required to provide for a unique student identifier, learning entitlement, fee arrangements and related HECS changes.

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ATTACHMENT B.13

Measure Title: Fee Paying- Higher Education Loans Programme (FEE-HELP)

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	21.40	46.32	58.82
Measure – Total change in Resourcing: (A+B)	0.0	21.40	46.32	58.82
Measure Total (Impact on Fiscal Balance):	0.0	18.72	52.30	81.42
Measure Total (Impact on Underlying Cash):	0.0	0.0	0.19	1.25
Current Resourcing	0.0	0.0	0.0	0.0

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Supporting Information:

Many qualified students miss out on higher education, popular courses or their choice of institution, because there is a limit on the number of Commonwealth supported places and students are unable to raise funds to pay full fees at the point of entry. The impressive uptake of the recently implemented Postgraduate Education Loans Scheme (PELS) indicates that many students who are unable to secure a Commonwealth supported place would be willing to pay full fees, if only they could secure loans that enabled the deferral of these costs. Some students at public and private higher education institutions do manage to pay up-front full fees, but such opportunities are limited to those who can raise course fees at the time of enrolment. Loans for tuition costs from commercial lenders are either not available or prohibitively expensive. The absence of a loans scheme to assist students who have not secured a Commonwealth supported place, creates inequity, prevents student choice, sector growth, lifelong learning, private investment in higher education and increases unmet demand.

FEE-HELP will provide an income contingent loan facility for eligible students who are enrolled in fee-paying courses at both public and eligible private institutions. FEE-HELP will provide a loan up to the amount of the full tuition fee charged for the course being undertaken. To prevent excessive student debts, the overall borrowings under FEE-HELP will be limited to $50,000 per student (excluding loan charges). To simplify the provision of loans to full fee payers for tuition, FEE-HELP will absorb the current Postgraduate Education Loan Scheme (PELS), Open Learning Deferred Payment Scheme (OLDPS) and Bridging for Overseas-Trained Professionals Loan Scheme (BOTPLS). Students at private institutions will only be eligible for FEE-HELP if their institution has met specific quality and accountability requirements.

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Australian citizens wishing to undertake eligible fee-paying higher education courses at eligible institutions will be able to apply for an FEE-HELP loan. Australian permanent residents undertaking a bridging course specifically for overseas trained professionals that enables them to meet the requirements for entry into their profession in Australia will also be able to apply for an FEE-HELP loan. A loan fee of 30 per cent will be levied on the amount being borrowed by the student to cover the cost of Government borrowing. The up-front loan fee, as opposed to an interest rate, fixes the cost of borrowing and offers students certainty about the cost of the loan at the time of borrowing. It also prevents escalating debt accrual during periods of low repayment (such as time out of the workforce to meet family commitments).

The amount borrowed plus the loan fee becomes the total loan amount and will be reported to the Australian Taxation Office (ATO). The total loan amount will be treated, once incurred, as a HELP debt and will be subject to the same income contingent repayment arrangements applying under HECS-HELP. FEE-HELP repayments will not be tax deductible.

For a private higher education institution to be eligible to provide students with FEE-HELP loans the institution must be:

- a higher education institution listed as self-accrediting on the Australian Qualifications Framework Register, or non-self-accrediting institutions listed on the Australian Qualifications Framework Register of Bodies with Authority to Issue Qualifications;
- subject to, or agree to be subject to, audit by the Australian Universities Quality Agency every five years;
- a member of a Tuition Assurance Scheme (TAS) that guarantees the education of students should an organisation be unable to provide a course or a refund to its students; and
- able to meet the prescribed DEST accountability requirements.

Following introduction of FEE-HELP, enrolments in undergraduate fee-paying courses are expected to increase at both public and private institutions. This will result in a potential reduction of the level of unmet demand for higher education places and facilitate student choice in pursuing their preferred course.

The Australian Government Actuary (AGA) has estimated that the doubtful debt associated with FEE-HELP will range between 23.87 and 30 per cent for various student cohorts who take out FEE-HELP loans. Because this is a new scheme, doubtful debt estimates will need to be monitored and changes to modelling assumptions refined by experience. Restricting FEE-HELP in ways that would undermine it as a simple and equitable loans scheme, based on speculation about the nature or extent of possible abuses, would be premature. FEE-HELP will enable expanded access to higher education for students utilising both FEE-HELP and HECS. Given the considerable public benefits of higher education, it is appropriate that a 'risk management' approach is used in determining measures to reduce Commonwealth costs associated with the provision of these student loans. DEST will continually monitor changes to the level of doubtful debt to ensure that the balance between the gains and losses associated with FEE-HELP provision remains in favour of the Commonwealth and the Australian public. In the case that amendments need to be made to FEE-HELP, the benefit of experience will allow those amendments to be specifically targeted to solving actual problems.

Attachment G has central agency options relating to this measure (these are not supported).

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Implementation Date:

This programme will begin on 1 January, 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Legislation/Regulation:

Changes to legislation or regulations are required to establish FEE-HELP.

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ATTACHMENT B.14

Measure Title: Education Costs- Higher Education Loans Programme (E-HELP)

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	30.81	63.08	66.17
Measure – Total change in Resourcing: (A+B)	0.0	30.81	63.08	66.17
Measure Total (Impact on Fiscal Balance):	0.0	26.33	56.01	62.94
Measure Total (Impact on Underlying Cash):	0.0	0.0	0.0	0.0
Current Resourcing	0.0	0.0	0.0	0.0

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Supporting Information:

Many students have difficulties in meeting the up-front expenses of their education. While such difficulties will be more prevalent among those with financially disadvantaged backgrounds, they will not be limited to them. In particular, students can struggle with larger, unexpected or emergency expenses such as purchasing a computer, costs associated with text books and other necessary equipment or field trip costs. These acute financial pressures faced by students can be alleviated through the provision of small loans, but these are not readily accessible or are prohibitively expensive when sought through commercial lenders.

E-HELP will allow full-time undergraduate students in Commonwealth supported places at public higher education institutions to take out a loan of up to $2,000 per annum to assist with their educational costs. A maximum amount of $5,000 can be borrowed under the programme over an individual's lifetime.

Australian citizens undertaking a full-time undergraduate award course in a Commonwealth place at a public higher education institution will be eligible for an E-HELP loan. The loan would be available as a line of credit through the institution. A loan fee of 30 per cent will be levied on the amount being borrowed by the student to cover the cost of Government borrowing. The up-front loan fee, as opposed to an interest rate, fixes the cost of borrowing and offers students certainty about the cost of the loan at the time of borrowing. It also prevents escalating debt accruing during periods of low repayment (such as time out of the workforce for family commitments).

The amount borrowed plus the loan fee becomes the total loan amount and will be reported to the Australian Taxation Office (ATO). The total loan amount will be incorporated, once

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incurred, into a student's total HELP debt and will be subject to the same income contingent repayment arrangements applying under HECS-HELP. E-HELP repayments will not be tax deductible.

The Australian Government Actuary (AGA) has estimated that the doubtful debt associated with E-HELP will be 27 per cent. Because this is a new scheme, doubtful debt estimates will need to be monitored and changes to modelling assumptions refined by experience. Restricting E-HELP in ways that would undermine it as a simple and equitable loans scheme, based on speculation about the nature or extent of possible abuses, would be premature. The availability of E-HELP will improve the quality of educational experiences and outcomes for students under financial pressure. Given the considerable public benefits of higher education, it is appropriate that a 'risk management' approach is used in determining measures to reduce Commonwealth costs associated with the provision of these student loans. DEST will continually monitor changes to the level of doubtful debt to ensure that the balance between the gains and losses associated with E-HELP provision remains in favour of the Commonwealth and the Australian public. In the case that amendments need to be made to E-HELP, the benefit of experience will allow those amendments to be specifically targeted to solving actual problems.

Attachment G has central agency options relating to this measure (these are not supported).

Implementation Date:

This programme will begin on 1 January, 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

E-HELP will provide a new source of support for individual students from rural and remote areas. Larger regional centres where institutions are located will benefit from the increase in student expenditure financed by E-HELP.

*Non-Capital city population centres	Under 10,000	Under 25,000	Over 25,000	Other
1. Services				
Education	P	P	P	P
Infrastructure	NT	NT	NT	NT
Social	P	P	P	P
2. Employment	NT	NT	NT	NT
3. Investment	NT	NT	NT	NT

N=Negative P=Positive NT=Neutral NA=Not Applicable

*Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classifications (1991)

Legislation/Regulation:

Changes to legislation or regulations are required to establish E-HELP.

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ATTACHMENT B.15

Measure Title: Overseas Study- Higher Education Loans Programme (OS-HELP)

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	3.88	11.91	20.49
Measure – Total change in Resourcing: (A+B)	0.0	3.88	11.91	20.49
Measure Total (Impact on Fiscal Balance):	0.0	3.75	11.81	21.02
Measure Total (Impact on Underlying Cash):	0.0	0.0	0.0	0.0
Current Resourcing	0.0	0.0	0.0	0.0

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Supporting Information:

Current rates for Australian students studying overseas are very low compared with international standards. Expanding Australian students' experience of other countries' languages, social and political systems and economic imperatives, is crucial in building Australia's capacity to engage in the international market. The number of students undertaking part of their higher education overseas needs to be significantly increased so that relationships with people and organisations in other countries, which are invaluable in terms of Australia's trade, foreign relations and security interests, can be established.

OS-HELP will provide financial assistance to full-time undergraduate students in Commonwealth supported places at public higher education institutions to study abroad for one or two semesters of their degree programme. OS-HELP will provide a loan of up to $5,000 (in 2004 dollars) per semester to finance overseas study. OS-HELP will normally assist students with their travel and living expenses while overseas as the majority of students undertaking formal exchange programmes are exempt from tuition fees. Tuition costs would only apply where the student was not studying under a formal exchange programme and in such cases would need to be met by the student. 2,500 OS-HELP loans would be provided in 2005, increasing to a total of 10,000 loans per year by 2008. Loans would be distributed between eligible institutions based on institutional performance in providing opportunities for students to undertake overseas study.

Australian citizens undertaking a full-time undergraduate award course in a Commonwealth supported place at a public higher education institution will be eligible for an OS-HELP loan. Under OS-HELP, a loan fee of 30 per cent will be levied on the amount being borrowed by the student to cover the cost of government borrowing. The up-front loan fee, as opposed to an accruing interest rate, fixes the cost of borrowing and offers students certainty about the

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cost of the loan at the time of borrowing. It also prevents escalating debt accruing during periods of low repayment. The amount borrowed plus the loan fee becomes the total loan amount and will be reported to the Australian Taxation Office (ATO). The total loan amount will be treated, once incurred, as a HELP debt and will be subject to the same income contingent repayment arrangements applying under HECS-HELP. OS-HELP repayments will not be tax deductible.

It is recognised that providing loans to Australians studying overseas involves some doubtful debt risk for the Commonwealth because payments are made through the Australian income tax system. These risks will be minimised through a number of important features of the loan scheme. Students will not be able to apply for the loan until they have demonstrated their commitment to higher education study by successfully completing the first year of their course. The relative scarcity of the loans will mean that the loans are highly selective and awarded to meritorious students, and therefore likely to be individuals with excellent future income prospects. Loan holders will not be permitted to undertake their overseas study during the last year of their course.

DEST and the ATO have considered various proposals for the recovery of student loan repayments from individuals no longer resident in Australia, none of which have been assessed as practicable. In particular, the types of international information exchange systems that would be required to effectively track and retrieve repayments from student loan debtors do not exist and would be prohibitively expensive to develop. Data that would allow estimations of student loan debtors who leave Australia permanently are not available. However, it is highly likely that most Australians, with or without student loan debts, who undertake paid work overseas, return to Australia at some point and will be required to make loan repayments. Assessments to date are that the cost of pursuing debtors overseas would well exceed the benefits of receiving their repayments. OS-HELP has been structured in such a way as to reduce the risk of students not returning to Australia and hence not repaying their debt. There will only be 10,000 OS-HELP loans issued per year and these will be issued to the most meritorious students. Students will not be eligible for a loan in their first year, to ensure they have demonstrated satisfactory academic progression or in their last year, to reduce the possibility of them staying overseas. Given the growing international use of income-continent student loans, and Australia's probable position as a net receiver of overseas debtors, DEST will monitor international developments in debtor tracking and will willingly consult with other nations seeking to initiate reciprocal debt collection arrangements.

The Australian Government Actuary (AGA) has estimated that the doubtful debt associated with OS-HELP will be 23.78 per cent. Because this is a new scheme, doubtful debt estimates will need to be monitored and changes to modelling assumptions refined by experience. Restricting OS-HELP in ways that would undermine it as a simple and equitable loans scheme, based on speculation about the nature or extent of possible abuses, would be premature. The availability of OS-HELP will enhance educational experiences and outcomes for students by broadening the scope of their education in line with increasing internationalisation of social and economic communities. Given the considerable public benefits of higher education, it is appropriate that a 'risk management' approach is used in determining measures to reduce Commonwealth costs associated with the provision of these student loans. DEST will continually monitor changes to the level of doubtful debt to ensure that the balance between the gains and losses associated with OS-HELP provision remains in favour of the Commonwealth and the Australian public. In the case that amendments need to

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be made to OS-HELP, the benefit of experience will allow those amendments to be specifically targeted to solving actual problems.

Attachment G has central agency options relating to this measure (these are not supported).

Implementation Date:

This programme will begin on 1 January, 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Legislation/Regulation:

Changes to legislation or regulations are required to establish OS-HELP.

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ATTACHMENT B.16

Measure Title: Commonwealth Education Costs Scholarships (CECS)

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	5.00	15.38	26.25	37.68
Measure – Total change in Resourcing: (A+B)	5.00	15.38	26.25	37.68
Measure Total (Impact on Fiscal Balance):	- 5.00	- 15.38	- 26.25	- 37.68
Measure Total (Impact on Underlying Cash):	- 2.50	- 10.19	- 20.82	- 31.97
Current Resourcing	0.0	0.0	0.0	0.0

Supporting Information:

The Commonwealth Education Costs Scholarships (CECS) will provide students with a scholarship of $2,000 (2004 dollars) per year for up to four years, to assist with education expenses. In 2004, 2,500 new CEC Scholarships will be provided. Additional scholarships and the inclusion of a growth factor equivalent to population growth will increase the number of new scholarships allocated each year. By 2007, 5,075 new scholarships would be awarded annually and approximately 17,600 students would be in receipt of a CEC Scholarship.

Approximately 26,000 full-time students from low socio-economic backgrounds and 2,500 full-time Indigenous students commence university studies each year. The majority of these students have to undertake a substantial number of hours of part-time work each week in order to meet their education costs, to the detriment of their studies. A CEC scholarship will alleviate this financial burden and enable the recipient to devote more of their time to their studies.

The distribution of CECS will be merit based and will target students experiencing financial hardship. Priority will be given to full-time students from low socio-economic and/or Indigenous backgrounds. These scholarships will be excluded from the social security income test.

Attachment G has central agency options relating to this measure (these are not supported).

Implementation Date:

This programme will begin in 2004.

Termination Date

N/A

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Community/Regional/Small Business Impact:

N/A

Legislation/Regulation:

A consequential change to the *Social Security Act 1991* would be required to exclude these scholarships from the social security income test.

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ATTACHMENT B.17

Measure Title: Commonwealth Accommodation Scholarships (CAS)

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	7.50	23.07	39.38	56.52
Measure – Total change in Resourcing: (A+B)	7.50	23.07	39.38	56.52
Measure Total (Impact on Fiscal Balance):	- 7.50	- 23.07	- 39.38	- 56.52
Measure Total (Impact on Underlying Cash):	- 3.75	- 15.29	- 31.23	- 47.95
Current Resourcing	0.0	0.0	0.0	0.0

Supporting Information:

The Commonwealth Accommodation Scholarships (CAS) will provide full time students with a scholarship of $5,000 (2004 dollars) per year for up to four years, to assist students with accommodation expenses. In 2004, 1,500 new CA Scholarships will be provided. Additional scholarships and the inclusion of a growth factor equivalent to population growth will increase the number of new scholarships allocated each year. By 2007, 3,045 new scholarships would be awarded annually and approximately 10,500 students would be in receipt of a CA Scholarship.

Approximately 10,000 students from rural and isolated areas, many of whom are from low socio-economic and/or Indigenous backgrounds, move away from home each year to commence higher education. For most of these students and/or their parents, the cost of on-campus university accommodation, which ranges between $2,500 and $12,000 per annum, represents a significant burden. A CA scholarship will help alleviate this financial burden and encourage other rural and isolated students to consider institutions outside their local region when making decisions about their higher education options.

The distribution of CAS will be merit based, targeting students experiencing financial hardship. Priority will be given to full-time students from low socio-economic and/or Indigenous backgrounds. These scholarships will be excluded from the social security income test.

Attachment G has central agency options relating to this measure (these are not supported).

Implementation Date:

This programme will begin in 2004.

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Termination Date

N/A

Community/Regional/Small Business Impact:

The Commonwealth Accommodation Scholarships will benefit students from small rural, remote or regional centres who move from their home base to undertake higher education.

*Non-Capital city population centres	Under 10,000	Under 25,000	Over 25,000	Other
1. Services				NA
Education	P	P	P	NA
Infrastructure	NT	NT	NT	NA
Social	P	P	P	NA
2. Employment	NT	NT	NT	NA
3. Investment	NT	NT	NT	NA

N=Negative P=Positive NT=Neutral NA=Not Applicable

*Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classifications (1991)

Legislation/Regulation:

A consequential change to the *Social Security Act 1991* would be required to exclude these scholarships from the social security income test.

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ATTACHMENT B.18

Measure Title: Australian Postgraduate Award (APA) growth

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	0.21	0.58
Measure – Total change in Resourcing: (A+B)	0.0	0.0	0.21	0.58
Measure Total (Impact on Fiscal Balance):	0.0	0.0	- 0.21	- 0.58
Measure Total (Impact on Underlying Cash):	0.0	0.0	- 0.10	- 0.39
Current Resourcing				
Australian Postgraduate Awards Scheme	89.06	91.02	93.03	95.09

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Supporting Information:

Places under the Australian Postgraduate Award (APA) Scheme will be increased to ensure that the opportunities available for Australia's most talented research students to receive support through their postgraduate training are maintained in accordance with population growth.

The Australian Postgraduate Award Scheme enables the Commonwealth to support Australian postgraduate students of exceptional research promise to undertake a higher degree by research. This support is provided by means of a stipend and other allowances. In 2002, the Commonwealth supported approximately 4500 postgraduate students through the provision of APAs.

The distribution of APAs to higher education institutions is aligned with the distribution of funds for the Research Training Scheme (RTS). Both are distributed according to the performance based formula of 50% for research student completions, 40% for research income and 10% for publications. The APAs are currently available, and will remain available, to students at all public higher education institutions, the Melbourne College of Divinity, Bond University, and the University of Notre Dame Australia.

The number of APAs available is currently not adjusted to accommodate population growth. This measure will incorporate population growth into the APA Scheme to ensure that opportunities available under the scheme do not decline on a per capita basis as the population grows. This requires the creation of 40 (notional) new APA's over four years. With population growth incorporated into the RTS (see Attachment B.28), this increase in APAs will also maintain the proportion of APAs available relative to Commonwealth funded research places.

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Australia's most promising research students will be the key beneficiaries of this measure, because it will ensure that opportunities to receive Commonwealth support during postgraduate training do not decrease on a per capita basis as the population grows. Institutional and national research output capacity will also be enhanced, as research students are significant contributors to this. Maintaining funding for APAs at current levels will reduce opportunities for each successive cohort of postgraduate students to receive an APA.

The Scheme will be reviewed in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to support Australia's most promising research students through their research training.

Implementation Date:

Growth to the APA scheme will commence in 2006.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Regional Impact Statement: Summary of all Measures

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

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*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.19

Measure Title: Indigenous Staff Scholarships

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.16	0.16	0.16	0.17
Measure – Total change in Resourcing: (A+B)	0.16	0.16	0.16	0.17
Measure Total (Impact on Fiscal Balance):	- 0.16	- 0.16	- 0.16	- 0.17
Measure Total (Impact on Underlying Cash):	- 0.08	- 0.16	- 0.16	- 0.17
Current Resourcing	0.0	0.0	0.0	0.0

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Supporting Information:

The establishment of a scholarship programme for Indigenous staff will further develop Indigenous leadership in the sector by offering professional development opportunities to those Indigenous staff who have demonstrated their commitment to assisting students in higher education. Developing a strong and visible Indigenous presence in higher education will reduce the cultural isolation, and thus heighten the potential for successful outcomes for Indigenous people studying or working in the higher education sector.

Indigenous staff at Australia's public higher education institutions are leaders and mentors to Indigenous people contemplating or undertaking study, and their academic and professional development should be supported.

Five national scholarships will be provided each year, enabling recipients to take one year of leave from their university employment to undertake full-time higher education study. The scholarships will cover a HECS exemption or fee waiver of up to $10,000, plus a non-taxable stipend of $20,000. The scholarships will be awarded on merit by the Minister following advice from the Indigenous Higher Education Advisory Council, with priority given to people undertaking postgraduate awards. Only Indigenous staff employed and studying at public higher education institutions will be eligible for this scholarship.

Scholarship recipients will directly benefit from this initiative, but benefits will flow through to other Indigenous students because of the recipients' support and leadership role. Failure to implement this measure would mean that those Indigenous staff who have demonstrated their commitment to improving the outcomes of Indigenous students, will continue to have limited professional development opportunities because of the demands of their roles.
This programme will be reviewed in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to enable Indigenous staff who are committed to the

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improving outcomes for Indigenous people the opportunity to undertake professional development.

There are 550 Indigenous staff currently employed in higher education institutions. The provision of five scholarships will enable almost 1% of Indigenous staff access to a scholarship each year. The scholarships assume that the average fee waiver or HECS exemption will be $10,000 (2002 prices). The stipend of $20,000 is slightly greater than the stipend available to students on an Australian Postgraduate Award ($17,609 in 2002), which will enable them to meet expenses in excess of those normally incurred by non-Indigenous students.

Implementation Date:

The first scholarships will be offered in 2004.

Termination Date

N/A

Community/Regional/Small Business Impact:

Regional Impact Statement:

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services * Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

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*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.20

Measure Title: Indigenous Support Fund

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	1.68	3.43	5.26
Measure – Total change in Resourcing: (A+B)	0.0	1.68	3.43	5.26
Measure Total (Impact on Fiscal Balance):	0.0	- 1.68	- 3.43	- 5.26
Measure Total (Impact on Underlying Cash):	0.0	- 0.84	- 2.56	- 4.35
Current Resourcing Indigenous Support Funding	24.83	25.38	25.94	26.51

Supporting Information:

An increase to the Indigenous Support Fund (ISF) will enable institutions to invest further in initiatives designed to increase the participation and success of Indigenous people in higher education, and to reward institutions for achieving positive outcomes for Indigenous students.

Indigenous participation and success in higher education improved steadily during the 1990s, however, the number of Indigenous people commencing higher education in 2000 dropped substantially, as did the number of completions in 1999. The recent decline in Indigenous participation and success did not continue last year, but past gains have not been recovered.

Indigenous people remain severely underrepresented in higher education, comprising only 1.2 per cent of the domestic student population, compared with 1.9 per cent of the Australian population.

Higher education institutions currently undertake a range of activities to improve the participation and success of Indigenous people in higher education. The Commonwealth supports these activities through the Indigenous Support Fund (ISF), which provided $23.7 million to institutions in 2002. The quantum of the ISF is fixed, and is divided among institutions based on enrolment load, success rates and award completions for Indigenous students. Despite government commitment to alleviating disadvantage faced by Indigenous higher educations students, equity goals for Indigenous participation have not been met.

Minimum requirements will be established for eligibility for ISF funding, which will include the following:

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- Evidence of participation of Indigenous people in the decision-making processes of the institution (which may include existence of an Advisory Committee on Indigenous issues);
- Existence of an institutional Indigenous Employment Strategy; and
- Evidence of the implementation of enabling strategies for improving participation and completions for Indigenous students.

Each institution will be required to report on their expenditure of ISF funding and will indicate the amount of ISF funding provided to an Indigenous Support Centre (should one exist at the institution).

ISF will continue to be allocated according to a performance-based formula of 50% for Indigenous student load, 35% for Indigenous student progression and 15% for award completions by Indigenous students. All public higher education institutions are currently eligible and will remain eligible for funds from this programme. Batchelor Institute of Indigenous Tertiary Education will continue to receive their ISF allocations as a block grant.

Increasing ISF by $7.2 million per year will give institutions additional capacity to facilitate greater participation and better outcomes for Indigenous Australians. Indigenous Australians will be the key beneficiaries of this increase as it will improve the level of support available to them as they progress through their studies. Failure to further support Indigenous students risks further loss of gains made over the last decade, despite the persistence of educational, economic and social disadvantages of Indigenous people.

This programme will be reviewed in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity improve the participation of, and the educational outcomes for, Indigenous people in higher education.

The ISF quantum has not changed markedly over the last seven years. The existing funds are no longer sufficient to support the Indigenous students within the system and sustain increases necessary to realise equitable access. An increase of $7.2 million per year by 2008 is very significant given the current size of this programme and will signal the Commonwealth's clear commitment to addressing the educational disadvantage of Indigenous people. ISF is allocated on a performance basis, and the increase will enable those public higher education institutions that made the most substantial gains in Indigenous participation during the 1990s to capitalise on those gains.

Implementation Date:

Changes to minimum requirements will be introduced in 2004. Increases to ISF will commence in 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

It is recognised that geographical isolation contributes to educational disadvantage. In 2001, around 30 per cent of Indigenous higher education students were from rural areas, with an additional 15 per cent from isolated areas.

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Regional Impact Statement: Indigenous Support Fund Increase

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services * Education	P	P	P	P
* Infrastructure	NT	NT	NT	NA
* Social	P	P	P	P
Employment	NT	NT	NT	P
Investment	NT	NT	NT	NA

Depends on the outcome of competitive selection processes.

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*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.21

Measure Title: Indigenous Higher Education Advisory Council

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.26	0.27	0.27	0.28
Measure – Total change in Resourcing: (A+B)	0.26	0.27	0.27	0.28
Measure Total (Impact on Fiscal Balance):	- 0.26	- 0.27	- 0.27	- 0.28
Measure Total (Impact on Underlying Cash):	-0.13	- 0.26	- 0.27	- 0.28
Current Resourcing	0.0	0.0	0.0	0.0

Supporting Information:

An Indigenous Higher Education Advisory Council will be established to provide a framework for the improvement of outcomes for Indigenous people in higher education through effective consultation with Indigenous people on policy development. There was significant support throughout the Higher Education Review process for mechanisms to improve indigenous participation in higher education.

There is currently no formal mechanism for the Commonwealth to consult with the Indigenous community on higher education issues. An Indigenous Higher Education Advisory Council (IHEAC) will provide the Minister and the Department with advice on higher education policy.

The IHEAC's brief will include:

- Making recommendations of recipients for Indigenous Staff Postgraduate Scholarships to the Minister;
- Developing strategies for increasing the number of Indigenous staff employed in higher education institutions; and
- Convening an annual Indigenous Higher Education Conference which will include:
  - Discussion of research developments and policy directions, sector/institutional achievements, successful innovations and best practice measures; and
  - Presentation of the Neville Bonner Scholarship and the Indigenous Staff Scholarships.

The Department will provide secretariat support to the IHEAC.

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Indigenous staff and students at higher education institutions will benefit from this initiative, which will ensure that higher education policies are informed by Indigenous perspectives. Not implementing this measure will mean that there is no formal mechanism for Indigenous input to policy. The absence of such input undermines the chances of policy success.

This initiative will be reviewed in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to enable input from indigenous people into policy advice.

Support of $260,000 per year will enable the IHEAC to hold regular meetings, run the annual Indigenous Higher Education Conference, to promote the Indigenous Staff Postgraduate Scholarships and convene a selection panel for recommending scholarship recipients to the Minister.

Implementation Date:

The Council will be established in 2003, and will begin operations in the second half of 2003 so that they can undertake the selection process for Indigenous Staff Scholarships for 2004. The first Indigenous Higher Education Conference will be held in 2004. Seed funding of $50,000 will be provided in 2003 to establish the Committee from funds available through the Higher Education Innovation Programme (HEIP).

Termination Date

N/A

Community/Regional/Small Business Impact:

It is recognised that geographical isolation contributes to educational disadvantage. In 2001, around 30 per cent of Indigenous higher education students were from rural areas, with an additional 15 per cent from isolated areas. The proposed measure will improve access of and retention of Indigenous people in higher education, both as students and as staff.

Regional Impact Statement: Indigenous Higher Education Advisory Council

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	P	P	P	NA
* Infrastructure	NT	NT	NT	NT
* Social	P	P	P	NA
Employment	P	P	P	NA
Investment	NT	NT	NT	NA

Depends on the outcome of competitive selection processes.

*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.22

Measure Title: Higher Education Equity Programme

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	2.26	2.31	2.36
Measure – Total change in Resourcing: (A+B)	0.0	2.26	2.31	2.36
Measure Total (Impact on Fiscal Balance):	0.0	- 2.26	- 2.31	- 2.36
Measure Total (Impact on Underlying Cash):	0.0	- 1.13	- 2.28	- 2.33
Current Resourcing Higher Education Equity Programme	6.16	6.30	6.44	6.58

Supporting Information:

Changes will be made to the Higher Education Equity Programme to improve outcomes for groups that currently experience educational disadvantage by ensuring that equity groups are properly identified, ensuring that institutions have necessary equity measures in place, and rewarding institutional performance in alleviating the educational disadvantage of equity groups.

Changes to the Higher Education Equity Programme (HEEP) will include:

- Review of designated equity groups;
- Review of equity indicators;
- Establishment of minimum requirements for programme eligibility;
- Change from a mixed block/performance-based funds allocation formula to a purely performance-based allocation formula; and
- An increase in the funds for HEEP.

Since 1990, five equity groups, in addition to Indigenous Australians, have been recognised as historically disadvantaged in their access to higher education. These groups are:

- People from a non-English speaking background;
- People with disabilities;
- People from rural and isolated areas;
- Women in non-traditional areas of study; and
- People from socioeconomically disadvantaged backgrounds.

These five groups of students are supported through the Higher Education Equity Programme (HEEP), which provided $5.9 million to the sector in 2002. HEEP provides $3.8 million in block allocations to institutions, with the remaining funds ($2.1 million) allocated according

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to the numbers of students in each equity group, weighted by group and success and retention rates.

While significant improvements have been made for some of these groups, the participation of other groups remains a concern. Group compositions and their measurement require refinement. For example, although equity goals for women have been realised in most non-traditional disciplines, they are still under-represented in engineering and architecture. There are also concerns about the under-representation of men in non-traditional areas such as teaching. In terms of group membership indicators, new research suggests that the use of postcodes to identify people from low socioeconomic backgrounds could be replaced with more valid measures.

The Department will undertake a review of equity groups and the appropriateness of group membership indicators in 2003-2004, and will commit to reviewing the groups and indicators regularly.

Institutions currently in receipt of HEEP allocations are required to provide annual Institutional Equity Plans to the Department for publication. However, receipt of HEEP allocations are not contingent on the adequacy of these equity plans. To ensure that all institutions that receive HEEP allocations undertake activities that the Department considers fundamental to improving outcomes for equity groups, institutions will need to meet four criteria to be eligible for HEEP allocations. These criteria will be:

- Run an outreach programme to attract equity group students to higher education;
- Run specialised support for equity group members to assist their progression through higher education;
- Manage the Commonwealth Scholarships Programme; and
- Establish an institutional equity scholarship programme to complement the Commonwealth Scholarships Programme.

It is the Commonwealth's expectation that higher education institutions contribute funds to equity beyond that provided by the Commonwealth through HEEP allocations. Block grants will no longer be provided under HEEP. Instead, all HEEP funds will be allocated according to a performance based formula developed as part of the Department's review of equity groups. A performance-based formula will also ensure that institutions remain focused on improving the outcomes of equity group participation.

The Commonwealth currently commits less than 0.15% of its funding to the sector specifically for non-Indigenous equity purposes. Given the ongoing educational disadvantage being experienced by some Australians, the HEEP will be increased. This will signal the Commonwealth's commitment to addressing the educational disadvantage experienced by equity group members.

Allocations will be made to institutions using an updated performance-based formula, which will be determined in 2003-2004. The Australian Maritime College (AMC) currently receives $24,000 only per year. This will no longer continue and AMC will be subject to the same performance measures as other institutions. The University of Notre Dame (UNDA) Australia currently receives $20,000 per year as a block grant, and is the only private university currently receiving HEEP allocations. To reduce anomalous payments from performance funds the UNDA will no longer receive HEEP allocations.

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This initiative will be reviewed in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to increase the participation of, and outcomes for, disadvantaged groups.

The removal of base grants and conversion to a fully performance based formula will result in some institutions receiving reduced equity allocations. If the new formula results in a similar distribution of funds as the performance element in the current formula and there is no increase in the HEEP quantum, then 17 institutions will lose equity funds. Increasing the HEEP fund by $2.3 million will result in only two institutions being disadvantaged by the new allocation mechanism. These additional funds will enable the Commonwealth to negotiate a performance formula that truly reflects the Commonwealth's equity priorities and eases implementation within the sector. The increase in funds will also signal the Commonwealth's commitment to equity, which will become a vital feature of a reform package that includes the potential for increased student contributions.

Implementation Date:

A review of equity groups and equity group indicators will be undertaken in 2003-2004. This will inform the new performance-based formula, which will be used to determine HEEP allocations from 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

People from rural and isolated areas are currently one of five equity groups targeted under HEEP. Assuming that the proposed review of equity groups confirms their status as disadvantaged, the increase in funds is likely to improve their access to and retention in higher education.

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Regional Impact Statement: Higher Education Equity Programme

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services * Education	P	P	P	NA
* Infrastructure	NT	NT	NT	NA
* Social	P	P	P	NA
Employment	NT	NT	NT	NA
Investment	NT	NT	NT	NA

Depends on the outcome of competitive selection processes.

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*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.23

Measure Title: Students with Disabilities

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	1.07	1.09	1.12
Measure – Total change in Resourcing: (A+B)	0.0	1.07	1.09	1.12
Measure Total (Impact on Fiscal Balance):	0.0	- 1.07	- 1.09	- 1.12
Measure Total (Impact on Underlying Cash):	0.0	- 0.53	- 1.08	- 1.11
Current Resourcing				
Students with Disabilities Programme	3.20	3.27	3.34	3.41

Supporting Information:

The objective of increasing funds for students with disabilities is to support institutions which invest in infrastructure and services that enable better access to, and success in, higher education for people with disabilities.

The existing Students with Disabilities Programme assists public higher education institutions to meet the costs of students with disabilities who have high cost needs. These funds will increase to $3.1 million per year in 2003. Evidence from a number of universities suggests that current funding will still not meet institutional costs to provide an appropriate learning environment to support students with disabilities. The Students with Disabilities Programme will therefore be increased by $1.1 million per year from 2005.

Funds will be available to institutions under the current formula-based allocation mechanism, which reimburses partial or full expenses for items addressing agreed student support needs. All public universities, the Australian Maritime College, and Batchelor Institute of Indigenous Tertiary Education are currently eligible and will remain eligible for funds from this programme. To eliminate anomalous payments, UNDA will no longer be eligible for funds from this programme.

Students with high cost disabilities benefit from this increase in funding. Not implementing this increase will reduce the availability of facilities that improve access to higher education for people with disabilities.

This initiative will be reviewed in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to assist institutions meet the requirements of students with disabilities.

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Funds of $1.8 million under this programme were available for the first time in 2002. The programme is scheduled to increase to $3 million in 2003, with a final but only a marginal increase of $0.1 million in 2004. An additional $1.1 million in 2005 will significantly increase the capacity of institutions to provide access to education for people with disabilities.

Implementation Date:

N/A

Termination Date

N/A

Community/Regional/Small Business Impact:

Regional Impact Statement:

**Non-Capital city population centres	**Under 10,000***	**Under 25,000***	**Over 25,000***	**Other*** Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

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*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.24

Measure Title: Learning and Teaching Performance Fund

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	54.68	83.82
Measure – Total change in Resourcing: (A+B)	0.0	0.0	54.68	83.82
Measure Total (Impact on Fiscal Balance):	0.0	0.0	- 54.68	- 83.82
Measure Total (Impact on Underlying Cash):	0.0	0.0	- 27.34	- 69.25
Current Resourcing	0.0	0.0	0.0	0.0

Supporting Information:

The Establishment of a Learning and Teaching Performance Fund will promote sectoral diversity and specialisation and raise the value of learning and teaching excellence by rewarding those institutions which achieve excellence in learning and teaching outcomes. The fund will validate an emphasis on learning and teaching in institutional missions, and facilitate the transfer of information to prospective students about the standing of learning and teaching at each institution. The fund also signals the Commonwealth's commitment to teaching and learning and supports institutions that choose to focus on excellence in teaching and learning for undergraduates.

Learning and Teaching Performance Fund allocations would be determined in two stages. Satisfactory completion of the first stage would be a prerequisite for eligibility for the second stage. In the first stage, institutions would have to demonstrate a strong strategic commitment to learning and teaching by providing evidence of:

- A current institutional teaching and learning plan or strategy;
- Systematic support for professional development in teaching and learning for sessional and full-time academic staff;
- Probation and promotion practices and policies that include effectiveness as a teacher as a criterion for those academics with a teaching load;
- Systematic student evaluation of teaching and subjects which informs probation and promotion decisions for academic positions where the academic has a teaching load or expectation of a teaching load.

These strategies, practices, policies and student evaluation results would need to be made publicly available on an institution's website.

Once eligibility for funds is established through the first stage, institutional performance in learning and teaching would be assessed using a range of measures. These may include:

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- Student progress, retention, attrition and/or award completion;
- Student ratings, which are currently collected through the national Course Experience Questionnaire;
- Graduate employment outcomes as collated by the national Graduate Destination Survey; and
- Results of the initial AUQA audits.

Indicators would be appropriately adjusted (for example, for student characteristics, or local employment conditions) and weighted to reflect the relative importance of particular measures. The funding formula will ensure that the best performers on the chosen teaching and learning indicators will receive the greatest rewards. Allocations will be provided to those institutions that perform above a prescribed level, which may be the sector average.

Consultations with the sector will be required to derive indicators of learning and teaching quality and outcomes that are valid and practicable. These consultations will be undertaken during 2003-2005, to ensure that the programme would be operational by 2006.

This Fund is critical in driving diversity and specialisation in the sector through changes in institutional behaviour. All sector stakeholders will benefit from such change. The absence of this Fund will remove motivation for institutional change and support the status quo of homogeneity throughout the sector. Because this performance fund provides new funds, institutions with superior teaching performance will be able to capitalise on this strength and offer students further improvements in educational quality.

The Fund will be reviewed for the first time in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to reward institutional teaching performance and encourage teaching specialisation in some institutional missions.

Funding Rationale: The Commonwealth's commitment to elevating the status of the learning and teaching, relative to research, will be indicated by the quantum of this performance fund. Exactly matching this performance fund with the Research Performance Fund would be excessive because of the differences in the costs of these activities and historical investments in research. However, it is appropriate to match the new funding for the Learning and Teaching Fund with the increases provided for the Research Performance Fund (through the Institutional Grant Scheme) at $114.1 million per year by 2008.

Implementation Date:

The first allocations from the learning and teaching performance fund will occur in 2006.

Termination Date

N/A

Community/Regional/Small Business Impact:

Universities that deliver excellence in learning and teaching will benefit from this Fund and the heightened focus of the sector on learning and teaching. This will strengthen the communities in which such universities are situated, particularly in terms of student flows.

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Regional Impact Statement: Summary of all Measures

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

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*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.25

Measure Title: National Institute for Learning and Teaching in Higher Education

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

Establishment and Administration

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	2.52	2.57
Measure – Total change in Resourcing: (A+B)	0.0	0.0	2.52	2.57
Measure Total (Impact on Fiscal Balance):	0.0	0.0	- 2.52	- 2.57
Measure Total (Impact on Underlying Cash):	0.0	0.0	- 1.26	- 2.54
Current Resourcing	0.0	0.0	0.0	0.0

Grants and Research

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	19.36	19.78
Measure – Total change in Resourcing: (A+B)	0.0	0.0	19.36	19.78
Measure Total (Impact on Fiscal Balance):	0.0	0.0	- 19.36	- 19.78
Measure Total (Impact on Underlying Cash):	0.0	0.0	- 9.68	- 19.57
Current Resourcing	0.0	0.0	0.0	0.0

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Supporting Information:

The National Institute for Learning and Teaching in Higher Education will be established to improve the quality and heighten the primacy of learning and teaching in the higher education sector through the provision of up-to-date information and guidance and the coordination of national learning and teaching initiatives. The Institute will provide a national focus for the enhancement of teaching and learning in Australian higher education institutions and be a flagship for acknowledging excellence in teaching.

The Institute's responsibilities will include:

- Development of a national discipline-based approach to articulating and monitoring academic standards;

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- Improvement of assessment practices throughout the sector, including investigation of the feasibility of a national portfolio assessment scheme;
- Facilitation of benchmarking of effective teaching and learning processes at national and international levels;
- Development of mechanisms for the dissemination of good practice in teaching and learning;
- Management of a competitive grants scheme for innovation in teaching and learning;
- Management of a programme for international experts in teaching and learning to visit Australian institutions and the development of reciprocal relationships with international jurisdictions;
- Coordination of a revised version of the Australian Awards for University Teaching, including the Awards presentation event; and
- Secretariat function to the AUTC or its successor.

The Institute will be overseen by the existing Australian Universities Teaching Committee (AUTC) or a successor committee and be run by professional staff with expertise in teaching and learning in higher education. The Committee will continue to advise the Minister on the allocation, management and outcomes of any grants scheme and activities administered through the National Institute, including the revised Australian Awards for University Teaching.

Individuals and organisations that rely on the quality of higher education learning and teaching, especially students and employers will benefit from the work of the Institute. The higher education sector itself will benefit from the focus on teaching excellence, which will contribute to the sector's capacity to maintain and improve its competitive position in the international educational export market.

With its focus on learning and teaching, the Institute will contribute, as part of an integral package of reforms, to driving specialisation in the sector. The absence of such an organisation, particularly in terms of sectoral leadership, would weaken the capacity of the Learning and Teaching Performance Fund to effectively encourage diversity in university missions.

The establishment of the Institute will be competitively tendered preferably seeking a consortium of universities to host the institute. The Institute will be reviewed in 2010-2011 as per the cabinet submission, when it will be assessed according to its performance in meeting its responsibilities and objectives.

The National Institute for Learning and Teaching in Higher Education will be a national landmark institution, similar to the Information and Communications Technology (ICT) Centre of Excellence established under *Backing Australia's Ability* . The ICT Centre of Excellence will receive an average of $25.9 million per year for five years from the Commonwealth.

Implementation Date:

Seed funding to establish the Institute will be allocated from within current programme funds. $0.4 million will be provided in 2004 and $1.0 million will be provided in 2005 from the

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Higher Education Innovation Programme (HEIP). The Institute will be fully operational in 2006.

Termination Date

N/A

Community/Regional/Small Business Impact:

Universities that deliver excellence in learning and teaching will benefit from the heightened focus of the sector on learning and teaching. This will strengthen the communities in which such universities are situated, particularly in terms of student flows.

Regional Impact Statement: Summary of all Measures

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

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*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.26

Measure Title: Australian Awards for University Teaching

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	2.68	2.74
Measure – Total change in Resourcing: (A+B)	0.0	0.0	2.68	2.74
Measure Total (Impact on Fiscal Balance):	0.0	0.0	- 2.68	- 2.74
Measure Total (Impact on Underlying Cash):	0.0	0.0	- 1.34	- 2.71
Current Resourcing				
Australian Awards for University Teaching	1.83	1.87	1.91	1.96

Supporting Information:

A revised version the Australian Awards for University Teaching will further heighten the status of teaching in higher education and support the centrality of teaching in institutional missions by increasing the number and size of rewards to teachers who demonstrate excellence in teaching.

The Commonwealth currently rewards and celebrates excellence in teaching through the Australian Awards for University Teaching (AAUT). In 2001, six individuals, one team and three institutions shared eleven awards, valued between $35,000 and $50,000. The new annual awards will include:

- 210 awards valued at $10,000 each;
- 40 awards valued at $25,000 each; and
- 1 Prime Minister's award for 'Teacher of the Year' valued at $50,000.

This awards schedule will provide an average of five awards at $10,000, and an average of one award at $25,000 per public higher education institution. The Prime Minister's award will increased from $35,000 to further heighten its prestige.

The awards will continue to be presented at a major function that will promote the Commonwealth's commitment to quality learning and teaching in Australia's universities. The National Institute for Learning and Teaching in Higher Education will administer the awards process and manage the awards ceremony.

Teachers in public higher education institutions will be eligible for these awards. Award recipients will be determined by the Minister on merit, based on advice from the Australian Universities Teaching Committee or its successor.

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Higher education teachers receiving the awards and their employing institutions will be the key beneficiaries of the awards. Increasing the number of awards available will improve the chances of recognition for teaching excellence, and will encourage greater individual effort within each of the public institutions. It will also enable some public analysis of the distribution of awards between universities as an indicator of institutional support for teaching excellence, and to this extent, will facilitate better informed student choice in the deregulated fee market.

Maintaining the current award structure restricts the potential influence of the awards in motivating teaching excellence, and reduces the capacity of this programme to fit as a useful initiative within the reforms designed to improve the status of teaching and learning in the sector.

The Award programme will be reviewed for the first time in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to reward individual teaching excellence and to contribute to a sectoral focus on teaching excellence.

Implementation Date:

The new awards will begin in 2006.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Regional Impact Statement: Summary of all Measures

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.27

Measure Title: Research Performance Fund

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	27.34	55.88
Measure – Total change in Resourcing: (A+B)	0.0	0.0	27.34	55.88
Measure Total (Impact on Fiscal Balance):	0.0	0.0	- 27.34	- 55.88
Measure Total (Impact on Underlying Cash):	0.0	0.0	- 13.67	- 41.61
Current Resourcing				
Research Infrastructure Block Grants	159.56	182.05	199.21	87.79
Institutional Grants Scheme	290.30	296.71	303.26	309.95

Supporting Information:

The rationalisation of research performance funds for universities will simplify the distribution of research performance funds. Increasing research performance funds will enhance the research capabilities of Australian universities in areas of research strength.

The importance of research and innovation to Australia's ability to compete in a global knowledge-based economy is widely recognised and universities have a central role to play as major producers of basic and applied research. Many submissions to the Review argued that current funding levels are not sufficient to sustain world-class research in the sector. Australia's Gross Expenditure on Research and Development (GERD) as a percentage of Gross Domestic Product (GDP) has fallen since 1996-97. The OECD average GERD per GDP has increased steadily since 1990-2001, and thus the gap between Australian expenditure on R&D and the OECD average has widened considerably. Australia's GERD/GDP at 1.53% is now well below the average of our OECD counterparts at 2.10%.

The initiatives announced in *Backing Australia's Ability* (BAA) significantly increased the competitive component of research funding to public higher education institutions through a doubling of funding to the Australian Research Council (ARC). However, there was no increase in either BAA or the 1999 *Knowledge and Innovation* reforms to the Institutional Grants Scheme, which is the key research performance fund for Australian public higher education institutions.

The Department of Education, Science and Training provides funding for the training of research students through the Research Training Scheme (RTS) with $515 million in 2002, and for research through the institutional performance funds. The Institutional Grants Scheme (IGS) with $271 million in 2002, and the Research Infrastructure Block Grants (RIBG) with

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$114 million in 2002 support research undertakings of public higher education institutions by underpinning the infrastructure and additional funding needed for competitive grants.

The IGS is currently allocated on the basis of an institution's performance in generating research income, providing higher degree research places and the production of research publications. RIBG is allocated on the basis of an institution's performance in acquiring funds through National Competitive Grants, which are primarily distributed by the ARC and NHMRC.

The IGS and RIBG will be combined to create a single Research Performance Fund to simplify research funding and to parallel the funding structure of the Learning and Teaching Performance Fund. The performance elements and their weightings for the Research Performance Fund will be amended according to the recommendations of the evaluation of the *Knowledge and Innovation* reforms, which will be undertaken in 2003.

The comprehensive evaluation of the Knowledge and Innovation reforms of 1999 will be undertaken to ensure that the policy framework for Australia's competitive research funding is effective. This evaluation will focus on the operation of the Research Training Scheme (RTS) and the proposed new Research Performance Fund. In particular, it will assess the validity of current research performance indicators, their weightings in the performance formula and their effect on particular disciplines, universities and student groups.

The Research Performance Fund will be increased by up to $114.1 million per year by 2008 to contribute to sustaining Australia's position in international research and the global knowledge-based economy.

The ARC will be directed by the Minister for Education, Science and Training to use some of the increase in funds received under *Backing Australia's Ability* to cover the costs of Chief Investigator salaries as part of their ARC research grants to universities.

The Fund will be reviewed in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to fund quality research in the higher education sector, and support the sector's contribution to national innovation.

Research intensive universities, researchers, research students and the users of research output will benefit most from this measure. It will also help drive diversity and specialisation in the sector as it complements the Learning and Teaching Performance Fund as key encouragers of specialised institutional performance. Failing to implement this measure will undermine the quality of the higher education sector and compromise Australia's position in international research as other nations continue to increase their investments in research.

The Australian Vice-Chancellors' Committee submission argued for additional research funding of $450 million per year by 2007 (excluding funds for research training), and the Group of Eight submission argued for an additional $385 million per year by 2007. At the aggregate level, these organisations have requested between three and four times the additional funds that have been justified in this reform package. Although adding $114.1 million per year to IGS by 2008 does not meet the AVCC's and the Go8's claims, it is, at 37%, a significant increase.

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Following on from the research priorities exercise, the Government will establish a Research Infrastructure Taskforce to develop a nationally integrated research infrastructure strategy, which will apply to public higher education institutions and all publicly funded research agencies. Researchers will increasingly need access to high quality infrastructure in order to carry out high quality research. The impact of infrastructure needs is not limited to science and technology, with its need to access very specific research instruments. Increasingly all forms of research will involve access to very large data sets to work on problems with colleagues around the world. Research instruments and high end computation and communications facilities are very expensive pieces of equipment. Many are too expensive for Australia to contemplate.

Given its modest resource base, Australia cannot afford to continue an uncoordinated approach to infrastructure provision. We need a coordinated approach to provide:

- appropriate high end research instruments in priority areas of research;
- targeted funds to ensure access to key overseas research instruments;
- a world class high performance computing capacity; and
- an integrated research telecommunications networks linking researchers in Australia with each other and allowing them to access research instruments here and overseas.

To drive a greater focus on the application of research from Publicly Funded Research Agencies (PRAs) and to identify and exploit potential synergies and collaboration between PRAs (especially the Commonwealth Science and Industrial Research Organisation (CSIRO)) and universities, a high level taskforce will be established to examine models for closer integration and to investigate alternative funding models to develop excellence across the national research effort. The taskforce will report to Cabinet by the end of 2003. The Review of Access to Government Funded Research by Public Sector Research Agencies agreed to by Cabinet on 8 October 2002 (Cabinet minute JH02/0306/CAB), which was to have been undertaken in the first half of 2003, will be subsumed into this broader exercise.

Implementation Date:

The last allocations from IGS and RIBG will be provided in 2003, with the first allocations provided from the new Research Performance Fund in 2004.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

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Regional Impact Statement: Summary of all Measures

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

Copy No. 57

*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.28

Measure Title: Research Training Scheme - growth

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	3.82	7.10
Measure – Total change in Resourcing: (A+B)	0.0	0.0	3.82	7.10
Measure Total (Impact on Fiscal Balance):	0.0	0.0	- 3.82	- 7.10
Measure Total (Impact on Underlying Cash):	0.0	0.0	- 1.91	- 5.46
Current Resourcing Research Training Scheme	539.68	551.59	563.77	576.22

Supporting Information:

Places under the Research Training Scheme (RTS) will be increased in accordance with expected population growth to accommodate the expanding need for a highly trained academic and research and development workforce.

The Commonwealth supports the education of students undertaking research masters and research doctorates under the RTS. No growth was factored into the RTS when it was introduced in 1999. In 2002, 22,113 places were funded through the RTS. This proposal would fund an additional 150 places in 2006, which will increase to an additional 414 places in 2008.

The current RTS funds are allocated on a performance-based formula of 50% for research student completions, 40% for research income and 10% for publications. Funding for new places will be allocated according to the formula determined by the recommendations of the evaluation of the *Knowledge and Innovation* reforms. The RTS is currently available, and will remain available, to all public higher education institutions, the Melbourne College of Divinity, Bond University, and the University of Notre Dame Australia.

Students aspiring to become researchers will be the key beneficiaries of this measure, because it will ensure that the opportunities to undertake Commonwealth funded research training do not decrease on a per capita basis as the population grows. Institutional and national research output capacity will also be enhanced, as research students are significant contributors to this. Maintaining funding for RTS at current levels will stifle this growth and reduce research training opportunities for each successive cohort of students.

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The Scheme will be reviewed in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to meet the national need for appropriately trained researchers.

Assuming that participation rates remain constant from a base of 22,113 in 2003, demographic growth will increase demand for the RTS by 840 Equivalent Full-time Student Units (EFTSU) between 2006 and 2008. Increasing new commencements gradually from 150 in 2006 to 210 in 2008 will meet this demand over the three year period. Applying the current average funding per RTS EFTSU to this growth, the resulting pipeline will cost $3.5 million in 2006, rising to $12.8 million in 2008.

Implementation Date:

Growth to the RTS will commence in 2006.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Regional Impact Statement: Summary of all Measures

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services * Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

Copy No. 57

*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

National Archives of Australia NAA: A14370, JH2003/120/1

ATTACHMENT B.29

Measure Title: Research Training Scheme Supplementation

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	14.00	14.31
Measure – Total change in Resourcing: (A+B)	0.0	0.0	14.00	14.31
Measure Total (Impact on Fiscal Balance):	0.0	0.0	- 14.00	- 14.31
Measure Total (Impact on Underlying Cash):	0.0	0.0	- 7.00	- 14.15
Current Resourcing Research Training Scheme	539.68	551.59	563.77	576.22

COPY No. 57

Supporting Information:

A supplementation of the Research Training Scheme for professional development in the key areas of teaching and research commercialisation will better prepare the next generation of academics for their roles as teachers and researchers. This initiative will improve the quality of university teachers by encouraging the next generation of teachers to undertake formal teaching qualifications, and supporting them as they do so. Support will also be available under this program for the next generation of researchers to undertake a qualification in research commercialisation management of intellectual property.

Academics in Australian universities are not currently required to hold a formal teaching qualification. The suggestion that teaching qualifications be made mandatory for university teachers found little support during the Review consultations. Such a measure would be extremely expensive, difficult to administer and may introduce inappropriate employment inflexibilities within the sector.

Many universities offer short orientation programmes for new academics and short professional development courses in aspects of learning and teaching. Many universities also offer graduate certificate (and higher level) courses in university teaching.

The academic workforce has been traditionally drawn from doctoral research programmes, which are offered at all Australian public higher education institutions. Most university places occupied by doctoral research students are supported by the Commonwealth through the RTS. It is estimated that of the 3200 completing doctoral research students in 2000, approximately 740 became university teachers immediately after completing their doctorate.

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The current RTS provides funding to an institution for a doctoral student for four years. An extension of six months of funding would be provided under the RTS for doctoral students who completed a Graduate Certificate in Tertiary Teaching (or approved equivalent).

For doctoral students who plan a career in research, either employed in universities or other research organisations, a similar incentive would be provided for them to develop expertise in commercialisation of research or management of intellectual property, through completion of a graduate certificate in a relevant approved area.

Doctoral students preparing for a career in teaching or research will benefit from this programme, as will their future employers and students. The programme will contribute to the professionalisation of teaching in universities and improve the overall quality of teaching and learning in the sector. Improvements in teaching quality will improve the quality of graduates for the domestic workforce and the international reputation of Australian educational exports. This programme is also critical to sectoral specialisation, which depends on the importance of teaching excellence in institutional missions being heightened.

Failure to encourage the appropriate training of people employed in university teaching and research commercialisation undermines the capacity for these activities to be done well, and therefore undermines the quality of the higher education sector as a whole.

The programme will be reviewed for the first time in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to increase the number of new university teachers with teaching qualifications and new research academics with commercialisation qualifications.

To enable the next generation of academics to undertake formal teaching qualifications, 740 doctoral students will require additional tuition fees ($4641 per student) and stipends ($8805 per student) per year, by extending their RTS places by six months. Providing similar support for 215 doctoral students to undertake formal research commercialisation qualifications will bring the total cost of this programme to $14 million.

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Implementation Date:

This programme will begin in 2006.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Regional Impact Statement: Summary of all Measures

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**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

Copy No. 57

*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.30

Measure Title: Cooperative Centres for Applied Scholarship (in Humanities, Arts and Social Sciences)

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	5.47	11.18
Measure – Total change in Resourcing: (A+B)	0.0	0.0	5.47	11.18
Measure Total (Impact on Fiscal Balance):	0.0	0.0	- 5.47	- 11.18
Measure Total (Impact on Underlying Cash):	0.0	0.0	- 2.73	- 8.32
Current Resourcing	0.0	0.0	0.0	0.0

Copy No. 57

Supporting Information:

The objective of establishing Cooperative Centres for Applied Scholarship is to ensure that there is development of critical mass and excellence in applied research capacity in areas other than science and technology.

The current Cooperative Research Centres programme is focused on the transfer of scientific and technological research outputs into commercial or other outcomes. There is no complementary research programme for the humanities, arts and social sciences.

A programme for the establishment of Cooperative Centres for Applied Scholarship in Humanities, Arts and Social Sciences will focus on the enhancement of the contribution of humanities, arts and social science scholarship and research to Australia's social, cultural and economic development. The Centres will facilitate collaboration between researchers, scholars and practitioners in universities with industry, business and the broader community. They will include a focus on emerging creative industries and the expansion of digitally based creative content.

The programme provides a critical complement to the science and technology emphasis of Australia's research effort, and as such, it will benefit a broad range of researchers and research output users, as well as those directly engaged in humanities, arts and social sciences scholarship. Not implementing this programme will undermine the sustenance of Australia's research and scholarship capacity in these disciplines and reduce the benefit that can be derived from them.

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Grants will be provided to the successful consortiums based on their applications in a competitive selection process. Applications will be assessed against Commonwealth priorities and the proposed Centre's capacity to leverage funds from other sources.

This programme will be reviewed in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to advance the contribution the humanities, arts and social sciences through cooperative ventures applying scholarship in these disciplines.

These Cooperative Centres will have revenue and expense structures that are similar to the current Cooperative Research Centres (CRCs). CRCs normally receive between $2 million and $3 million per year for seven years from the Education, Science and Training portfolio. The Cooperative Centres for Applied Scholarship will be funded on average at $2.5 million per year for seven years. Establishing two centres in 2005, and two each year until there are six centres, will cost $5.5 million in 2005 rising to $17.1 million by 2008.

Implementation Date:

Two Centres will be established in 2006, with another two in 2007, and a final two in 2008, bringing the total number of centres to six.

Termination Date

N/A

Community/Regional/Small Business Impact:

N/A

Regional Impact Statement: Summary of all Measures

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services * Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.31

Measure Title: Amalgamation of Australian Institute of Marine Science with James Cook University

Affected Agencies: AUSTRALIAN INSTITUTE OF MARINE SCIENCE

Affected Outcomes: 1 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change Agency Expenses (AIMS): (A)	-22.9	-22.4	-22.9	-23.7
Change to Administered Expenses (CRC): (B)	-5.0	0.0	0.0	0.0
Change to Administered Expenses (JCU): (C)	+27.9	+22.4	+22.9	+23.7
Measure – Total change in Resourcing: (A+B+C)	0.0	0.0	0.0	0.0
Measure Total (Impact on Fiscal Balance):	0.0	0.0	0.0	0.0
Measure Total (Impact on Underlying Cash):	0.0	0.0	0.0	0.0
Current Resourcing				
AIMS	22.9	22.4	22.9	23.7
CRC	204.6	196.0	261.4	146.0
JCU (Operating Grant less HECS contributions and workplace reform funding	60.2	63.8	65.2	66.6

Copy No. 57

Supporting Information:

The merger of the Australian Institute of Marine Science (AIMS) with James Cook University (JCU) will establish a single world class marine research institute in Townsville by combining the strengths of both institutes in tropical marine research and research training.

The impact of the measure will be gauged from the expanded research programme that will be able to be undertaken by the combined AIMS/JCU entity.

The merger will be budget neutral and, once completed, appropriation funding for AIMS will be provided directly to JCU with an additional $5 million in 2003-04 to facilitate the merger. This will resolve the outstanding issue arising from the funding of the AIMS facility refurbishment agreed in the 1999-2000 Budget ($2.1 million). These funds will be used to deal with transitional issues such as strategic planning, commercialisation initiatives and integrating the research programmes of the institutions. The Cooperative Research Centres (CRC) Programme will be reduced by $5 million in administered funding in 2003-04 to offset this expenditure.

AIMS and JCU currently collaborate closely through a number of avenues including the CRC for Great Barrier Reef World Heritage Area, the Centre for Tropical Biotechnology and other joint ventures.

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AIMS and JCU are cooperating in joint development of capabilities in biomolecular analysis to take maximum advantage of collaboration with the Institute for Molecular Bioscience in Brisbane. A similarly high level of collaboration exists in aquaculture.

The Chief Scientist's Review of Marine Science in Tropical Australia found that the Townsville cluster of AIMS, JCU, the Museum of Tropical Queensland, the Great Barrier Reef Marin Park Authority and the regional field station of the Queensland Department of Primary Industries offer a prime example of the synergies and effectiveness in research that can be achieved through collaboration and information exchange.

An amalgamation, which would take the form of establishing AIMS as a separate research school of JCU while retaining autonomy, would strengthen this virtual centre of excellence by strengthening research collaboration between the two institutions.

Implementation Date:

1 July 2003.

Community/Regional Impact:
The measure will support tropical marine research in Townsville with some beneficial financial impact on the central Queensland region and potential benefits to the broader Australian community deriving from the research supported.

Marine research is a significant activity in the central Queensland region around Townsville. The policy will provide budgetary support to marine science, positioning it to make a more substantial contribution to the regional economy over the longer term. It is expected that the majority of the AIMS staff would take up positions with JCU to continue their research programmes.

Legislation/Regulation:

Repeal of the *Australian Institute of Marine Science Act*

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ATTACHMENT B.32

Measure Title: Backing Australia's Ability – Systematic Infrastructure Initiative

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	0.0	58.41
Measure – Total change in Resourcing: (A+B)	0.0	0.0	0.0	58.41
Measure Total (Impact on Fiscal Balance):	0.0	0.0	0.0	- 58.41
Measure Total (Impact on Underlying Cash):	0.0	0.0	0.0	- 29.20
Current Resourcing	54.64	55.85	57.08	0.0

COPY No. 57

Supporting Information:

The Systemic Infrastructure Initiative (SII), announced as part of *Backing Australia's Ability*, will be supported for one additional year to ensure the sustenance of the large-scale, high value infrastructure initiatives sustained by this initiative.

The SII provides funding of $246 million over five years for innovative approaches that link or expand access to shared facilities or high priority investments that bring sector wide strategic benefits. Most proposals for SII funding are collaborative, often with financial partners from other universities, but also from industry, governments and international organisations. Backing Australia's Ability supports this Initiative until 2005/2006, but certainty of funding beyond this time is necessary to ensure the integrity of ongoing administration of the programmes and to maintain the impetus of the initial investment in crucial infrastructure.

The SII benefits all participating universities across a broad range of areas, including broadband connectivity, library, cutting-edge equipment, laboratories, databases and a range of other facilities. Not providing an additional year of SII funds will undermine the success of a range of projects supported by this initiative.

Implementation Date:

N/A

Termination Date

N/A

Community/Regional/Small Business Impact:

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Regional Impact Statement: Summary of all Measures

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

Copy No. 57

*N=Negative P=Positive NT=Neutral NA=Not Applicable.

**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

National Archives of Australia NAA: A14370, JH2003/120/1

ATTACHMENT B.33

Measure Title: Backing Australia's Ability – Research Infrastructure Block Grant

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	0.0	118.62
Measure – Total change in Resourcing: (A+B)	0.0	0.0	0.0	118.62
Measure Total (Impact on Fiscal Balance):	0.0	0.0	0.0	- 118.62
Measure Total (Impact on Underlying Cash):	0.0	0.0	0.0	- 59.31
Current Resourcing	159.56	182.05	199.21	87.79

COPY No. 57

Supporting Information:

The increase made to the Research Infrastructure Grants Scheme (RIBG) as part of *Backing Australia's Ability*, will be continued for one additional year to ensure that the research funding does not dramatically decrease in 2007.

RIBG supports infrastructure costs associated with high quality research through the provision of performance based funds. RIGB is currently allocated to universities based on their success in being awarded funds from Australian Competitive Grants, which are mainly provided through the Australian Research Council (ARC) and the National Health and Medical Research Council (NHMRC). In 2004, RIBG will be combined with the Institutional Grant Scheme (IGS) to create a single Research Performance Fund. This will simplify research funding and provide a research funding structure that parallels the Learning and Teaching Performance Fund. The performance elements and their weightings for the Research Performance Fund will be amended according to the recommendations of the evaluation of the *Knowledge and Innovation* reforms, which will be undertaken in 2003.

Research intensive universities, researchers, research students and the users of research output will benefit most from this measure. It will ensure research supported by the Commonwealth's key performance-based research funding, is not compromised by a drop in funding in 2007.

Implementation Date:

N/A

Termination Date

N/A

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Community/Regional/Small Business Impact:

Regional Impact Statement: Summary of all Measures

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

Copy No. 57

*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.34

Measure Title: Collaboration and Innovation Fund

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	6.30	11.91	28.94
Measure – Total change in Resourcing: (A+B)	0.0	6.30	11.91	28.94
Measure Total (Impact on Fiscal Balance):	0.0	- 6.30	- 11.91	- 28.94
Measure Total (Impact on Underlying Cash):	0.0	- 3.15	- 9.10	- 20.42
Current Resourcing				
Higher Education Innovation Programme	4.30	4.40	4.49	4.59

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Supporting Information:

The Collaboration and Innovation Fund will support significant innovations in higher education and provide incentives for universities to enter into new collaborative ventures with industry, business and their communities.

One of the major thrusts of the Higher Education Review was the need for more collaboration between universities and other education providers, industry, business, regions and communities. There are currently few incentives in terms of funding or support for the creation and sustenance of collaborations or partnerships between higher education institutions as well as with other organisations. Those incentives that do exist are in research and development, such as the Australian Research Council's Linkage programme.

The current Higher Education Innovation Programme (HEIP) fulfils part of the purpose of the Collaboration and Innovation Fund (CAIF) to a very limited extent, but the focus on innovation needs to be strengthened and better targeted. In 2004, HEIP will be renamed to become the Collaboration and Innovation Fund, will retain all funds previously available under HEIP and will honour existing commitments under HEIP.

From 2005 the CAIF will be gradually increased so that it can provide competitive funds to foster collaboration between universities and other universities, business, industry, professional associations, community groups or other relevant organisations; and encourage innovation within the higher education sector. National priority areas for collaboration will be identified for each round of the programme. The priorities for the programme will initially be:

- Collaboration in course provision between two or more institutions that results in rationalisation of course offerings in at least one of the institutions;

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- Collaboration between universities that results in greater specialisation of course provision;
- Collaboration between vocational education and training provider/s and an institution in course provision or area related to teaching and learning;
- Collaboration between universities and their communities, particularly but not exclusively regional communities; and
- Collaboration between universities and business/industry/employers or professional associations.

During the Review process a strong argument was put for the establishment of a body representing the Humanities, Arts and Social Sciences to coordinate constructive engagement with governments and the broader community. The precedent in the Science and Technology sectors is the representative body FASTS (the Federation of Australian Scientific and Technological Societies), which is independent of the Learned Academies in science and technology, and actively engages with Government and the community on a wide range of science and technology issues. Seed funding will be provided for the establishment of a Council for the Humanities, Arts and Social Sciences, which will promote the sustenance and value of these disciplines.

Funds for innovation will ensure that the Minister can provide support for one-off or short-term innovations in the sector.

Public higher education institutions will be able to apply for CAIF funds during an annual selection process. The first round of new applications for funds will be invited in 2004, for allocations in 2005. Funds for collaborative and innovative projects will be approved by the Minister.

The CAIF will benefit public higher education institutions entering into collaborative ventures, and their collaborative partners, be they businesses, communities or other. It will also assist higher education institutions seeking short-term support for innovative projects and encourage greater efficiency. Not implementing this measure will mean that the Commonwealth has no means of supporting institutional collaboration and connectivity, which will become an important balance to the competition developed through course fee deregulation and performance funding.

This programme will be reviewed in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to meet collaborative priorities and support innovation.

The Collaboration and Innovation Fund is the only fund in the Commonwealth's institutional and student financing reform package that promotes cooperation between institutions. Other funds are either focused on institutional performance or encourage competition between institutions. It is important that at least $52.4 million be provided for this fund to prevent institutions from becoming insular or unduly conservative within the new funding environment. Because of the collaborative nature of these funds, they have the capacity to leverage further funds from non-Commonwealth sources and to reduce inefficiencies within the sector.

Implementation Date:

The CAIF will commence in 2004 as the renamed HEIP. From 2005 allocations from CAIF will be strengthened and better targeted.

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Termination Date

N/A

Community/Regional/Small Business Impact:

The programme accords priority to collaboration between public higher education institutions and their communities and, in particular, to examination of the role of small cross-sectoral presence in regional areas. Initiatives funded under this element of the programme are likely to have a positive impact on the economic and social life of the communities in which they are located, and on the number and quality of facilities available to the local population. Multi-sector campuses and sharing of infrastructure can potentially offer increased opportunities for students in terms of articulation, development of joint award programmes, facilitated movement between the sectors and broadened horizons.

Regional Impact Statement: Collaboration and Innovation Fund

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	P
* Infrastructure	NA	NA	NA	P
* Social	NA	NA	NA	P
Employment	NA	NA	NA	P
Investment	NA	NA	NA	P

Depends on the outcome of competitive selection processes.

Copy No. 57

*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.35

Measure Title: Ministerial Council for Business/Industry/University Collaboration

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.21	0.22	0.22
Measure – Total change in Resourcing: (A+B)	0.0	0.21	0.22	0.22
Measure Total (Impact on Fiscal Balance):	0.0	- 0.21	- 0.22	- 0.22
Measure Total (Impact on Underlying Cash):	0.0	- 0.11	- 0.22	- 0.22
Current Resourcing	0.0	0.0	0.0	0.0

Copy No. 57

Supporting Information:

A Ministerial Council for Business/Industry/University Collaboration will be established to improve communication and collaboration between the business/industry and higher education sectors.

The Council will draw on high-level representation from business, industry and employer groups and the universities, and will include at least one representative from a regional area. Whilst there is currently a Business/Higher Education Round Table, despite some valuable initiatives it has not succeeded in mobilising interest from the business/industry community in higher education. The new Council will provide the stimulus for greater collaboration between the sectors.

The Council will be chaired by a representative of a key business/industry/employer group such as the Business Council of Australia, Australian Industry Group or the Australian Chamber of Commerce and Industry. Some financial contribution to the Council will be sought from business and industry groups.

Initial priorities for the Council will include:

- Marketing of the Graduate Skills Assessment (GSA) to a broad range of employers (supported by funding for the GSA from the Quality Fund);
- Development of strategies to encourage business/industry to invest more in the higher education sector;
- Facilitation of involvement of small and medium enterprises in collaborative arrangements with universities;
- Establishment of Awards for Business/University Collaborations; and
- Participation in the selection of business/industry/university projects for funding from the Collaboration Fund.

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The Council will be mutually beneficial for business/industry and universities. For business and industry, greater collaboration will result in more useful university outputs, including research outcomes and graduate attributes. For universities, greater collaboration may provide opportunities to generate additional revenue. For both parties, greater collaboration will create opportunities for unique synergies and efficiency gains. The absence of leadership that can be provided through the Council will result in a failure to maximise public and private investments in higher education.

This Council will be reviewed in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to improve collaboration and communication between business/industry and the higher education sector.

The Commonwealth contribution to the Council will not be sufficient to cover all the costs associated with running the Council. A Commonwealth contribution of $210,000 per year, however, will be sufficient for the Council to leverage the funds it requires from industry. The Council will create much greater industry interest in higher education and potentially generate funds for the sector which are well in excess of this small Commonwealth contribution.

Implementation Date:

The Council will be appointed in 2003. Initial funding will come from the Higher Education Innovation Programme with $100,000 being allocated in 2003 and 2004.

Termination Date

N/A

Community/Regional/Small Business Impact:

One of the initial priorities for the Council involves facilitation of collaboration between universities and small and medium enterprises. Given the importance of small to medium enterprises in the economic and social landscape in regional centres, this form of collaboration is likely to impact positively in centres where universities are located.

Regional Impact Statement: Ministerial Council for Business/Industry/University Collaboration

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services * Education	NA	NA	NA	P
* Infrastructure	NA	NA	NA	P
* Social	NA	NA	NA	P
Employment	NA	NA	NA	P
Investment	NA	NA	NA	P

Depends on the outcome of competitive selection processes.

*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.36

Measure Title: Capital Development Pool

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.0	9.67	9.88
Measure – Total change in Resourcing: (A+B)	0.0	0.0	9.67	9.88
Measure Total (Impact on Fiscal Balance):	0.0	0.0	- 9.67	- 9.88
Measure Total (Impact on Underlying Cash):	0.0	0.0	- 4.83	- 9.77
Current Resourcing Capital Development Pool	43.09	44.04	45.01	46.00

Supporting Information:

The Capital Development Pool will be increased to ensure that the infrastructure of higher education institutions matches the demands of an accessible, sustainable and high quality higher education sector.

Increasing the Capital Development Pool (CDP) will provide greater opportunities to leverage contributions from other governments and encourage greater support for a number of priorities for capital development in the sector. The priorities will include strategic regional development initiatives and the development of joint educational precincts in collaboration with schools, TAFE institutions, and/or local communities, which will include refitting existing structures.

Since 1994, general capital funding for public higher education institutions has been rolled into institutional operating grants. This arrangement provides a guaranteed cash flow and enables institutions to develop long term capital planning in such a way as to achieve a well maintained and efficient capital stock appropriate to their teaching, research and support needs. In addition, a discretionary CDP is set aside for special capital projects, which in recent years has focused on the increased use of information and communications technology (ICT) infrastructure, greater collaboration between public higher education institutions and between the higher education and vocational education and training sectors. Total CDP funds available for 2002 were $41.2 million which will be increased by $9.7 million from 2006.

Whilst the CDP has been relatively effective in leveraging support for projects from other stakeholders, a future focus on projects that involve collaboration between an institution and other educational sectors or industry is considered appropriate. Projects that attract matching

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funds from the relevant State/Territory governments, local governments or industry/business will be given priority.

CDP applications are currently considered as part of the Profiles process. The new funding framework will require each university to negotiate with the Commonwealth for strategic course provision on a rolling triennium. A CDP round will be held each year and an institution would need to reflect in their application the way that the proposed development would meet their strategic intentions for current and future course provision. Applications will be assessed against Commonwealth priorities, the capacity of projects to leverage funds from other sources and the extent to which projects meet specific strategic intentions of the requesting institution.

Institutions within the sector, and students, will be the key beneficiaries of the increases to CDP. Not increasing CDP will undermine the quality and sustainability of higher education provision, by failing to maintain and develop infrastructure for this purpose.

The CDP was reviewed in 2002, and will be reviewed again in 2010-2011 as per the cabinet submission, when it will be assessed according to its capacity to meet the specific infrastructure needs of the sector.

The additional funds for the CDP will enable the Commonwealth to meet the ongoing and increasing need for ICT and structural refitting, especially in regional areas. With the enhanced focus on collaboration in this reform package and the ability of infrastructure funds to encourage matched investments, the sector will benefit from increased CDP funds well beyond the Commonwealth's additional $9.7 million dollar contribution.

Implementation Date:

N/A

Termination Date

N/A

Community/Regional/Small Business Impact:

Additional funds will be focused on projects involving collaboration between public higher education institutions and other education sectors or industry, particularly in regional areas. Provision of ICT will also be a focus. Initiatives funded under the programme are likely to have a positive impact on the economic and social life of the communities in which they are located, and on the number and quality of facilities available to the local population. Multi-sector campuses and sharing of infrastructure potentially offer increased opportunities for students in terms of articulation, development of joint award programmes, facilitated movement between the sectors and broadened horizons.

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Regional Impact Statement: Capital Development Pool

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	P
* Infrastructure	NA	NA	NA	P
* Social	NA	NA	NA	P
Employment	NA	NA	NA	P
Investment	NA	NA	NA	P

Depends on the outcome of competitive selection processes.

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*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.37

Measure Title: Australian Universities Quality Agency

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.59	0.60	0.61
Measure – Total change in Resourcing: (A+B)	0.0	0.59	0.60	0.61
Measure Total (Impact on Fiscal Balance):	0.0	- 0.59	- 0.60	- 0.61
Measure Total (Impact on Underlying Cash):	0.0	- 0.29	- 0.59	- 0.61
Current Resourcing				
Australian Universities Quality Agency funding	0.52	0.53	0.55	0.56

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Supporting Information:

The Commonwealth contribution to the Australian Universities Quality Agency (AUQA) will be increased to maintain the quality and reputation of the Australian higher education sector by undertaking audits of Australian higher education provision overseas on a whole-of-country basis.

The Commonwealth contribution to the Australian Universities Quality Agency (AUQA) is currently assessed according to the MCEETYA formula for State/Territories/Commonwealth contributions at $500,000 a year. It is anticipated that the AUQA will require additional funds as it moves to fulfil all of its objectives and the growth of overseas provision by Australian higher education institutions, which requires a broader overseas audit approach than that currently in place.

By the close of 2002 the AUQA had audited nine self-accrediting higher education institutions and one State accrediting agency. The AUQA is charged with conducting "whole of institution" audits which includes the international operations of universities. Most Australian universities have international activities and, increasingly, these are being offered off-shore in several countries. Significant future growth in international operations is likely to occur off-shore. A thorough audit of such activities requires site visits involving both basic audit skills and local knowledge and connections.

It will be much more efficient for the AUQA to conduct such audits on a whole-of-country basis rather than institution by institution. Under such a programme, all activities of all Australian public higher education institutions operating in a particular country would be audited on a cyclical basis and the reports produced could then be available for consultation in

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the context of the institutional audits. Such audits would also include offerings in the vocational education and training sector where courses are provided by universities.

The higher education sector will benefit from this measure, especially with regards to raising revenue through educational exports. There will also be secondary benefits to other sectors which benefit from educational exports, such as accommodation and travel providers. Not implementing this measure could place the international reputation of Australia's whole higher education sector at risk, by failing to recognise that the sector is expanding, quite significantly, offshore.

Assuring the continued quality of Australian higher education provision as it spreads into the international market will require additional investment from the Commonwealth. Funds of $590,000 will more than double the Commonwealth's contribution to AUQA and enable it to expand audits according to the expansion in offshore provision of Australian higher education. This represents a very small investment in maintaining the quality of Australia's international higher education provision.

Implementation Date:

AUQA will use the additional fund to commence overseas audits in 2005. Commonwealth funding for AUQA is an existing and ongoing commitment.

Termination Date

N/A

Community/Regional/Small Business Impact:

Regional Impact Statement:

**Non-Capital city population centres	**Under 10,000***	**Under 25,000***	**Over 25,000***	**Other*** Where Centres of Excellence are located #
Services * Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.38

Measure Title: Graduate Skills Assessment

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	0.0	0.27	0.27	0.28
Measure – Total change in Resourcing: (A+B)	0.0	0.27	0.27	0.28
Measure Total (Impact on Fiscal Balance):	0.0	- 0.27	- 0.27	- 0.28
Measure Total (Impact on Underlying Cash):	0.0	- 0.13	- 0.27	- 0.28
Current Resourcing Graduate Skills Assessment funding	0.26	0.27	0.27	0.28

Supporting Information:

The Graduate Skills Assessments (GSA) will be enhanced and promoted to encourage the widespread use of the quality measurement instruments by employers as a means of assessment during graduate recruitment exercises.

The Graduate Skills Assessment instrument has been developed for the Commonwealth by the Australian Council for Educational Research (ACER) to test generic skills of graduates. The test incorporates the four domains of logical thinking, critical reasoning, written communication and interpersonal understanding. These domains were chosen following extensive consultation with higher education institutions and employers. Although originally conceived as a test of graduate skills, it was realised that the test also had diagnostic potential for students entering university and that a comparison of scores for students at entry and exit would give an indicator of the value added by their university experience. The test, therefore, is administered twice each year: once for entry and once for exit. The first test was run for graduands in late 2000; both entry and exit tests were offered in 2001 and 2002. There is also a potential market for out of cycle tests to be run for specific purposes for universities and employers.

The instrument has performed well on an initial validity assessment but motivating students to take the test has proved problematic. In the first exit test, 1600 students from 19 universities participated. The 2001 entry test was taken by 2000 students from 20 universities. Universities have been reluctant to put resources into administering a test that students do not want to take. Numbers in the next two tests were even lower with 700 students from 8 universities taking the 2001 exit test and 950 students from 11 universities taking the 2002 entry test. These initial tests were totally subsidised by the Commonwealth but there is now a small co-payment with the Commonwealth grant covering about $25.00 of the estimated $35.00 cost.

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The second stage of the project is also being undertaken by ACER and involves ongoing development of new test items and administration of the test until mid 2004. While some employers have been supportive in principle (they have long complained that universities are not producing graduates with the generic skills they require), to date they have expected universities to run the test. Consultations with representatives from business and industry during the Review revealed that many employers know nothing about the GSA.

Initiatives to promote the test to employers and support its use in better selection processes would raise the profile of the instrument. This will help to create a culture in which graduates entering employment would be expected to sit the test and to include a GSA score when applying for a job. The Ministerial Council for Business/Industry/University Collaboration will oversee this development.

These funds will be administered by the Ministerial Council for Business/Industry/University Collaboration, and used specifically to promote the GSA among employers.

Employers and graduates will initially benefit from broader use of the GSA as a standard recruitment tool, however as usage expands, the Commonwealth will be able to collect valuable information on the quality of the higher education provision as measured by graduate skills. Not implementing this initiative will mean that the Commonwealth will make very little progress in establishing a means to evaluate the effectiveness of the sector in producing appropriately skilled graduates.

Other than the GSA, no other existing single instrument holds more potential as a national measure of individual graduate abilities. It is a useful graduate recruitment tool, but it also holds considerable promise as a means of assessing the actual value added by higher education. The Commonwealth may take credit for the successful development of the GSA, but it will not reap all the possible returns on its investment unless it promotes the widespread acceptance and use of the instrument. Marketing the GSA to students and graduate employers is the next critical step in ensuring the ongoing success of this project. With some additional backing from the business community, $270,000 per year from the Commonwealth will be used to promote the GSA.

The Commonwealth currently has a contract with the Graduate Careers Council of Australia (GCCA) for the provision of the Graduate Destination Survey and Course Experience Questionnaire (CEQ). The GCCA is currently funded to conduct the suite of graduate surveys and publish and analyse graduate outcomes data in both hard copy and electronic form. The data serve three main purposes - national accountability for the sector, quality and performance management within institutions and informing student choice. The need to provide information about institutional and course performance to students and parents will become even more important in a partially deregulated higher education system. Major innovations to be implemented include an extended version of the CEQ and a shift towards greater electronic delivery and publication of results. The Commonwealth will continue its current funding for the Graduate Destination Survey and Course Experience Questionnaire to facilitate these innovations, and to support the research and publishing of data that inform institutional and sectoral performance.

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Implementation Date:

The Ministerial Council for Business/Industry/University Collaboration will be funded to market the GSA in 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

Regional Impact Statement:

**Non-Capital city population centres	**Under 10,000***	**Under 25,000***	**Over 25,000***	**Other*** Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

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*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.39

Measure Title: Marcus Oldham buyout

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	0.0	0.0	0.0	0.0
Change to Administered Expenses: (B)	2.09	0.0	0.0	0.0
Measure – Total change in Resourcing: (A+B)	2.09	0.0	0.0	0.0
Measure Total (Impact on Fiscal Balance):	- 2.09	0.0	0.0	0.0
Measure Total (Impact on Underlying Cash):	- 1.05	- 1.05	0.0	0.0
Current Resourcing Marcus Oldham funding	0.44	0.45	0.46	0.47

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Supporting Information:

Marcus Oldham College currently receives an annual allocation of $418,000 per annum for 65 places in agribusiness courses. This allocation is the result of an historical anomaly. The students are required to pay fees and do not have access to the existing HECS arrangements. The arrangements with the College do not fit within the proposed coherent and consistent higher education policy framework.

This initiative will benefit Marcus Oldham College by providing them with a significant once off payment to correct the historic anomaly in funding. Failure to implement this proposal would maintain the historically anomalous yearly funding provided to Marcus Oldham College.

Under the proposed arrangements, the anomaly of funding to Marcus Oldham College will be removed. The Commonwealth will no longer provide an annual allocation. The Commonwealth will provide the College with a once off payment of $2.1 million in lieu of the annual allocation. Students in eligible private higher education institutions undertaking eligible award courses will have access to FEE-HELP loans (see Attachment B.13).

Implementation Date:

Marcus Oldham College will be bought out in 2004.

Termination Date

N/A

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Community/Regional/Small Business Impact:

N/A

Legislation/Regulation:

Legislation changes are required to vary Marcus Oldham College's eligibility for higher education funding.

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ATTACHMENT B.40

Measure Title: Higher Education Information Management System (HEIMS)

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	4.26	5.43	5.14	5.34
Change to Administered Expenses: (B)	0.0	0.0	0.0	0.0
Measure – Total change in Resourcing: (A+B)	4.26	5.43	5.14	5.34
Measure Total (Impact on Fiscal Balance):	- 4.26	- 5.43	- 5.14	- 5.34
Measure Total (Impact on Underlying Cash):	- 2.13	- 4.85	- 5.28	- 5.24
Current Resourcing DESTPAC Statistical Programme	0.05	0.05	0.05	0.06

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Supporting Information:

The reform package includes new and revised student loan arrangements and new performance and incentive initiatives. The implementation of these reforms will require the development of an interactive online higher education information system. In a partially deregulated market it is crucial that the market is well informed. It is incumbent upon DEST and higher education institutions to make available to students and parents information that will help them make decisions about higher education. The current Higher Education Student Data Collection reporting system is over ten years old and there have been major changes in the higher education sector during this time, including greater flexibility in enrolment options. It is appropriate for the collection methodologies used to be updated to take account of these developments. Currently, the movement of students to, from and within the higher education sector and their educational outcomes can only be estimated, because each institution uses different student identification systems. This limits the Commonwealth's capacity to develop and implement education policies that are responsive to the needs of students and institutions. A system will be required to:

- provide students with timely, accessible and accurate information about course offerings, Commonwealth and student contributions to course costs, loan details and institutional performance;
- provide one entry point for institutions to input:
  - statistical data;
  - financial management reporting; and
  - programme management reporting.
- provide institutions with timely, accessible and accurate information about institutional performance, payments and competitive funding initiatives; and
- enable the efficient and effective management of Commonwealth student loans and higher education entitlements (including scholarships).

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The Higher Education Information Management System (HEIMS) will be developed and implemented by DEST in consultation with institutions and students. HEIMS will be a web-based system which will provide students with easily accessible information on the following:

- Institution specific:
  - performance of institutions on the Learning and Teaching Performance Fund;
  - links to Australian Universities Quality Agency (AUQA) audit data;
  - Course Experience Questionnaire/Graduate Destination Survey aggregate data; and
  - scholarships available and eligibility requirements.
- Course/unit specific:
  - entrance requirements for previous year and minimum entrance; requirements for current year for both Commonwealth supported students and full fee-paying students; and
  - fees, Commonwealth contribution and student contribution per unit and/or per course.
- Student specific:
  - entitlement history;
  - loan history (cannot cover repayments); and
  - break-up of loan (eg. HECS, E-HELP, OS-HELP, FEE-HELP).

Modules will be developed for HEIMS to manage student entitlements, the Higher Education Loans Programme (HELP) which includes HECS, and the Commonwealth Scholarship Programme (CSP).

The effective operation of HEIMS will require all existing and new students accessing Commonwealth supported places or Commonwealth student loans to be issued with a Commonwealth Higher Education Student Support Number (CHESSN) by their institution on enrolment. The establishment of the CHESSN will enable effective management of student loans and research and policy development that are informed by more accurate data about student movements and outcomes.

HEIMS will include a module that will be used by higher education institutions to meet all their DEST statistical data collection requirements, replacing the current system. Having these data online in real time, combined with a unique student identifier, will allow the examination of issues such as flows between institutions, time to completion, completion rates, attrition and lifelong learning. The accuracy and value of higher education data will be substantially improved.

HEIMS will streamline the administration of any Commonwealth higher education programme where funding is contingent on student numbers, characteristics or mobility. The system will enable accurate and timely programme reporting.

The Financial and Programme Management Module of HEIMS will provide institutions with one entry point for all data associated with financial management and accountability requirements and for data collected for all programmes managed by DEST. The Unipay system currently being developed for estimates and payments to institutions will interface

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with HEIMS and provide information on status and progress of payments. This along with other programme information will be made available to institutions online.

The unique student identifier will be limited in its use to HEIMS. The data collected through HEIMS will be used for the monitoring of educational trends. It will not be used in any way to track individual students.

Some compensation will be provided to institutions for the resources required to implement the Commonwealth's student financing initiatives and HEIMS. The new higher education arrangements will have a significant impact on institutions in terms of IT implementation costs and administration costs associated with the management of the new loan schemes and scholarship programmes. Eligible institutions will receive funding for their costs associated with the development and customisation of IT infrastructure to allow current institution student/management systems to implement the new Commonwealth initiatives and administrative costs. The promotion of the new arrangements, in particular the new loan schemes and scholarship programmes, will be essential in educating the public about the new higher education options available to them (see Attachments B.12 to B.17).

HEIMS will be assessed in 2010-2011 as per the cabinet submission, against its ability to provide a range of information about the higher education sector both to policy makers and students, as well as its ability to provide an easy method of monitoring the various student loans and entitlements.

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Implementation Date:

HEIMS will be implemented in 2005.

Termination Date

N/A

Community/Regional/Small Business Impact:

Regional Impact Statement: Summary of all Measures

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services * Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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Legislation/Regulation:

Changes to legislation or regulations are required.

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ATTACHMENT B.41

Measure Title: Promotional costs

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	1.67	0.64	0.66	0.67
Change to Administered Expenses: (B)	0.0	0.0	0.0	0.0
Measure – Total change in Resourcing: (A+B)	1.67	0.64	0.66	0.67
Measure Total (Impact on Fiscal Balance):	- 1.67	- 0.64	- 0.66	- 0.67
Measure Total (Impact on Underlying Cash):	- 0.84	- 1.16	- 0.65	- 0.66
Current Resourcing Promotion for HECS, PELS, BOTPLS and OLDPS	0.94	0.96	0.98	1.01

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Supporting Information:

The promotion of the new arrangements, in particular the new loan schemes and scholarship programmes, will be essential in educating the public about the new higher education options available to them. The costings for promotion are additional funds on top of the current funds appropriated for the promotion of HECS. The additional $1.7 million in 2003/04 will cover the costs of advertising during the period leading up to the introduction of the new arrangements and the costs of producing new information booklets detailing the arrangements for new loan schemes. Producing information booklets for the new loan schemes will be an ongoing cost and $0.6 million has been allocated each year to meet these costs.

This measure will be assessed in 2010-2011 as per the cabinet submission, against its capacity to provide readily accessible information to the public about higher education financing, and in particular, the support available for students.

Implementation Date:

Funding for the promotion for higher education reforms will begin in 2004.

Termination Date

N/A

Community/Regional/Small Business Impact:

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Regional Impact Statement: Summary of all Measures

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

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*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT B.42

Measure Title: Institutions and DEST implementation oncosts

Affected Agencies: DEPARTMENT OF EDUCATION, SCIENCE AND TRAINING (DEST)

Affected Outcomes: 2 & 3 (DEST)

Financial Implications ($m) [Expense/Revenue]

	2003-04 ($m)	2004-05 ($m)	2005-06 ($m)	2006-07 ($m)
Change to Departmental Expenses: (A)	2.09	2.14	2.19	2.24
Change to Administered Expenses: (B)	10.21	4.28	4.37	4.47
Measure – Total change in Resourcing: (A+B)	12.30	6.42	6.56	6.71
Measure Total (Impact on Fiscal Balance):	- 12.30	- 6.42	- 6.56	- 6.71
Measure Total (Impact on Underlying Cash):	- 6.15	- 9.36	- 6.49	- 6.63
Current Resourcing	0.0	0.0	0.0	0.0

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Supporting Information:

The new higher education arrangements will have a significant impact on institutions in terms of IT implementation costs and administration costs associated with the management of the new loan schemes and scholarship programmes. For 2003/04 eligible institutions will receive funding for their costs associated with the development and customisation of IT infrastructure to allow current institution student/management systems to implement the amended HECS arrangements, FEE-HELP, E-HELP, OS-HELP and the new scholarship programmes, as well as to integrate with HEIMS.

Development costs include web frontend technology, backend system functionality, integration with external systems and security. Hardware/infrastructure costs include servers, disc storage, and backup and disaster recovery. Support costs include IT technical support, backup, enhancements, help desk and call centre support. Change management costs include training, documentation and communication. Future infrastructure costs include possible whole of government (WoG) directives such as hooking up to a WoG portal and use of different technology such as smart card or secure communication mechanisms.

The 39 public institutions will each receive $250,000 (2002 dollars) for these costs. From 2004/05 an allocation of $4.0 million (2002 dollars) will be distributed among these institutions on the basis of their Commonwealth supported student load. These funds will be used by institutions to meet the administration costs that will be placed on institutions to manage the new loan schemes and scholarship programmes. The $4 million allocation for these costs will be ongoing.

The new higher education arrangements include a number of new performance-based funding programmes and a significantly more detailed Commonwealth Grant Scheme. The increase in complexity of facilitating these arrangements plus other aspects of the reform package will

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necessitate additional ASL for DEST to implement and maintain the reform proposals. An amount of $2 million has been requested for this purpose.

Funding for implementation oncosts will be assessed in 2010-2011 as per the cabinet submission, against its ability to adequately provide support for institutions for their costs in implementing the higher education reforms.

Implementation Date:

Funding for implementation oncosts will begin in 2004.

Termination Date

N/A

Community/Regional/Small Business Impact:

Regional Impact Statement: Summary of all Measures

**Non-Capital city population centres	Under 10,000*	Under 25,000*	Over 25,000*	Other* Where Centres of Excellence are located #
Services				
* Education	NA	NA	NA	NA
* Infrastructure	NA	NA	NA	NA
* Social	NA	NA	NA	NA
Employment	NA	NA	NA	NA
Investment	NA	NA	NA	NA

Depends on the outcome of competitive selection processes.

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*N=Negative P=Positive NT=Neutral NA=Not Applicable.
**Based on Department of Primary Industries and Energy: Rural, Remote Population Zone Classification (1991).

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ATTACHMENT C

FINANCIAL RISK ASSESSMENT

The key financial risks arising from the higher education reform package relate to the expanded programme of student loans indicated in Attachments B.12 to B.15. All student loans will be administered by approved higher education institutions using the Higher Education Information Management System (HEIMS), detailed in Attachment B.40.

Higher education institutions will be permitted to distribute a specified number of HECS loans and specified maximum number of FEE-HELP, E-HELP and OS-HELP loans, following negotiations with the Commonwealth under the Funding Agreements (see Attachment B.6).

Identified risks associated with the provision of these loans pertain to the distribution of loans by institutions and the repayment of loans by debtors. Where appropriate, these risks will be managed through the adoption of controls embedded in HELP loan programme guidelines. The loan programmes will be reviewed regularly, particularly with regard to financial risks, and guidelines will be amended where necessary.

The risks associated with providing the new student loan programme are considered acceptable given the:

- controls implemented to mitigate risks associated with the distribution and repayment of loans, including the potential moral hazard of institutions benefiting from offering loans contrary to the best interests of some students;
- capacity for loan debtors to make repayments and finalise loans;
- ability to closely monitor loan distribution and repayment and modify loan programme guidelines in response to emerging risks; and
- considerable public benefit from providing the loans.

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Controls:

HECS

Risks associated with the distribution and repayment of HECS-HELP loans will be mitigated by controls including:

1. Administration of loans will be limited to:
    - Public higher education institutions, which will be required to comply with a range of regulatory arrangements that ensure their sound management and governance and clear accountability for the use of public money; and
    - Private higher education institutions, which must be:
        - higher education institutions listed as self-accrediting on the Australian Qualifications Framework Register, or non-self-accrediting institutions listed on the Australian Qualifications Framework Register of Bodies with Authority to Issue Qualifications;
        - subject to, or agree to be subject to, audit by the Australian Universities Quality Agency every five years;
        - a member of a Tuition Assurance Scheme (TAS) that guarantees the education of students should an organisation be unable to provide a course or a refund to its students;

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- able to meet the prescribed DEST accountability requirements;
- meeting demand for a designated national priority areas as negotiated with the Commonwealth

2. Loans will only be provided to Australian citizens and people with Australian permanent visas granted on humanitarian grounds undertaking:
   - an accredited higher education award programme;
   - university level subjects through Open Learning Australia;
   - a bridging course for overseas trained professionals to enable them to meet the requirements for entry into their profession in Australia;
   - a bridging course to enable students to meet the requirements for entry into an award programme; or
   - a refresher course required for professional development.

3. Institutions that offer more HECS loans than agreed with the Commonwealth will be subject to significant financial penalties.

4. Loan administration will be conducted using the Higher Education Information Management System (HEIMS), which will provide each student receiving a loan or Commonwealth subsidy with a unique Commonwealth Higher Education Student Support Number (CHESSN). This will enable the Commonwealth to undertake real-time monitoring of student loan provision.

5. The loans will be administered by institutions, which are accountable to the Commonwealth. The Commonwealth will monitor student loan provision by institutions.

6. The Australian Taxation Office will administer loan repayments through the income taxation system.

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FEE-HELP

Risks associated with the distribution and repayment of FEE-HELP loans will be mitigated by controls including:

1. Administration of loans will be limited to:
   - Public higher education institutions, which will be required to comply with a range of regulatory arrangements that ensure their sound management and governance and clear accountability for the use of public money; and
   - Private higher education institutions, which must be:
     - higher education institutions listed as self-accrediting on the Australian Qualifications Framework Register, or non-self-accrediting institutions listed on the Australian Qualifications Framework Register of Bodies with Authority to Issue Qualifications;
     - be subject to, or agree to be subject to, audit by the Australian Universities Quality Agency every five years;
     - a member of a Tuition Assurance Scheme (TAS) that guarantees the education of students should an organisation be unable to provide a course or a refund to its students; and
     - able to meet the prescribed DEST accountability requirements.

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2. Loans will only be provided to Australian citizens and people with Australian permanent visas granted on humanitarian grounds undertaking:
   - an accredited higher education award programme;
   - university level subjects through Open Learning Australia;
   - a bridging course for overseas trained professionals to enable them to meet the requirements for entry into their profession in Australia;
   - a bridging course to enable students to meet the requirements for entry into an award programme; or
   - a refresher course required for professional development.

3. Loans will be open to Australian permanent residents only where they are undertaking a bridging course specifically for overseas trained professionals that enable them to meet the requirements for entry into their profession in Australia. Australian permanent residents will not have access to FEE-HELP for any other higher education programmes. New Zealand citizens will not have access to FEE-HELP.

4. Administering institutions will take responsibility for debt remission and will be required to refund the full value of outstanding remitted loans to the Commonwealth.

5. Loan administration will be conducted using HEIMS, which will provide each student receiving a loan or Commonwealth subsidy with a unique Commonwealth Higher Education Student Support Number (CHESSN). This will enable the Commonwealth to undertake real-time monitoring of student loan provision.

6. The loans will be administered by institutions, which are accountable to the Commonwealth. The Commonwealth will monitor student loan provision by institutions.

7. Students will not be permitted to borrow more than $50,000 in tuition fees using FEE-HELP.

8. Institutions will be required to indicate entry requirements for full fee payers, which will be monitored relative to entry requirements for students in Commonwealth subsidised places. All entry requirements will be published by DEST and be open to public scrutiny.

9. The Australian Taxation Office will administer loan repayments through the income taxation system.

E-HELP

Risks associated with the distribution and repayment of E-HELP loans will be mitigated by controls including:

1. Eligibility for E-HELP loans will be limited to students who:
   - Occupy a Commonwealth subsidised place, and are therefore subject to all the limitations indicated in the controls for HECS loans;

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- Study full-time; and
- Are undergraduates.

2. There will be no grounds for the remission of these loans.

3. Loan administration will be conducted using HEIMS, which will provide each student receiving a loan or Commonwealth subsidy with a unique Commonwealth Higher Education Student Support Number (CHESSN). This will enable the Commonwealth to undertake real-time monitoring of student loan provision.

4. The loans will be administered by institutions, which are accountable to the Commonwealth. The Commonwealth will monitor student loan provision by institutions.

5. Students will not be permitted to borrow more than $2,000 per year and will not be permitted to borrow more than $5,000 in total.

6. The Australian Taxation Office will administer loan repayments through the income taxation system.

OS-HELP

Risks associated with the distribution and repayment of OS-HELP loans will be mitigated by controls including:

1. Eligibility for OS-HELP loans will be limited to students who:
   - Occupy a Commonwealth subsidies place, and are therefore subject to all the limitations indicated in the controls for HECS loans;
   - Study full-time; and
   - Are undergraduates.

2. There will be no grounds for the remission of these loans.

3. The number of loans will be limited to ensure that they are received by only the most promising students.

4. Students will not be eligible for a loan unless they have successfully completed their first year of study.

5. Students will not be permitted to access a loan to undertake overseas study in the final year of their course.

6. Loans will be limited to $5,000 for one semester and $10,000 for one year. Students may only receive one OS-HELP loan during their lifetime.

7. Loan administration will be conducted using HEIMS, which will provide each student receiving a loan or Commonwealth subsidy with a unique Commonwealth Higher Education Student Support Number (CHESSN). This will enable the Commonwealth to undertake real-time monitoring of student loan provision.

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8. The loans will be administered by institutions, which are accountable to the Commonwealth. The Commonwealth will monitor student loan provision by institutions.

9. Students will not be permitted to borrow more than $2,000 per year and will not be permitted to borrow more than $5,000 in total.

10. The Australian Taxation Office will administer loan repayments through the income taxation system.

Doubtful debt

The capacity of student loan debtors to repay these loans is indicated by the graduate starting salaries, longer-term labour market graduate outcomes and current HECS debt finalisation rates.

Of bachelor degree graduates who were available for full-time employment in 2001, 83 per cent were in full-time employment within four months of completing their degree. The median graduate starting salary for bachelor degree graduates in their first full-time employment was $35,000 in 2001, which was 86 per cent of Average Weekly Earnings. Student loan debtors earning $35,000 currently repay their debt at a rate of 4.5 per cent of their net income (or $1,575 per year) and will continue to do so under the new loan repayment schedule.

In the longer term, graduates are relatively protected from unemployment and experience greater stability in employment. In 2001, bachelor degree graduates and postgraduates experienced the lowest unemployment rates in the population with 2.8 percent and 2.7 per cent respectively. People without a higher education qualification, who have completed year 12 and some other post-school qualification, experienced unemployment rates of between 4.0 and 8.4 per cent, depending on their level of qualification.

The average usual weekly earnings for full-time wage or salary earners aged 15 to 64 with a bachelor degree or above was $1,155 in 2001. This compares with $854 for the general population. Graduate earnings peak when they are between 35 and 44 years of age when their average usual weekly earnings almost reach $1,300. Student loan debtors earning the $1,155 per week currently repay their debt at a rate of 6 per cent of their net income (or $3,600 per year), and will repay at a rate of 7 per cent (or $4,200 per year) under the new loan repayment schedule.

The provision of HECS loans to students has been a successful experience for the Commonwealth. More than 1.7 million people have taken advantage of the HECS loans scheme since its inception. Despite the relative newness of the HECS initiative, and the fact that a large portion of these1.7 million HECS debtors are still studying, 600,000 debtors (35 per cent) have completely repaid their debts. Although the characteristics of the take-up population for new loans may differ slightly from that for current and previous HECS debtor population, it is not clear whether this will increase or decrease the repayment and debt finalisation rates. It is likely that there will be some variation between different HELP loans.

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The Australian Government Actuary (AGA) has estimated that the doubtful debt associated with new loans programme will be between 24 and 30 per cent. Because the programme comprises new loan schemes, doubtful debt estimates will need to be monitored and changes to modelling assumptions refined by experience. Restricting student loans in ways that would undermine the programme as a simple and equitable means of supporting students, based on speculation about the nature or extent of possible abuses, would be premature. The availability of student loans will improve educational access and enhance educational experiences and outcomes. Given the considerable public benefits of higher education, it is appropriate that a 'risk management' approach is used in determining measures to reduce Commonwealth costs associated with the provision of these student loans. DEST will continually monitor changes to the level of doubtful debt to ensure that the balance between the gains and losses associated with student loan provision remains in favour of the Commonwealth and the Australian public. In the case that amendments need to be made to particular loan guidelines, the benefit of experience will allow those amendments to be specifically targeted to solving actual problems.

DEST and the ATO have considered various proposals for the recovery of student loan repayments from individuals no longer resident in Australia, none of which have been assessed as practicable. In particular, the types of international information exchange systems that would be required to effectively track and retrieve repayments from student loan debtors do not exist and would be prohibitively expensive to develop. Data that would allow estimations of student loan debtors who leave Australia permanently are not available. However, it is highly likely that most Australians, with or without student loan debts, who undertake paid work overseas, return to Australia at some point and will be required to make loan repayments. Assessments to date are that the cost of pursuing debtors overseas would well exceed the benefits of receiving their repayments. Given the growing international use of income-continent student loans, and Australia's probable position as a net receiver of overseas debtors, DEST will monitor international developments in debtor tracking and will willingly consult with other nations seeking to initiate reciprocal debt collection arrangements.

The Department of Finance and Administration have calculated the Public Debt Interest (PDI) for the loans schemes as outlined in Attachment D.

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ATTACHMENT D

LONG TERM FINANCIAL IMPACT OF REFORM PACKAGE

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Table D1 - Fiscal Balance (outturn prices)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m	2003-04 to 2006-07 $m
Commonwealth Grant Scheme					
Commonwealth Grant Scheme (Funding by Discipline)	0.00	8.00	8.78	9.03	**25.82**
Commonwealth Grant Scheme (7.5 per cent increase)	0.00	-69.64	-142.33	-218.20	**-430.18**
Transition fund	0.00	-12.62	0.00	0.00	**-12.62**
Regional Loading	-27.91	-30.28	-31.45	-32.91	**-122.56**
Conversion of Marginal Places	0.00	-64.80	-118.69	-164.07	**-347.57**
Growth Places	0.00	0.00	0.00	-10.92	**-10.92**
Governance and Workplace Relations					
Workplace productivity programme	0.00	0.00	-27.34	-27.94	**-55.28**
National Priorities					
National priorities - teaching (increase grant)	0.00	-26.55	-27.14	-27.74	**-81.43**
National priorities - teaching (decrease student cont.)	0.00	-26.55	-27.14	-27.74	**-81.43**
National priorities - nursing (increase grant)	-9.75	-9.97	-10.19	-10.41	**-40.32**
National priorities - nursing (decrease student cont.)	0.00	-9.97	-10.19	-10.41	**-30.57**
National priorities - 1400 places	0.00	-7.20	-7.36	-7.52	**-22.08**
New Nursing Places	-2.10	-3.75	-5.06	-6.12	**-17.03**
Student Financing					
HECS	0.00	17.56	21.66	25.03	**64.25**
F-Help	0.00	18.72	52.30	81.42	**152.44**
E-Help	0.00	26.33	56.01	62.94	**145.29**
OS-Help	0.00	3.75	11.81	21.02	**36.57**
Scholarships					
Commonwealth Educational Costs Scholarships	-5.00	-15.38	-26.25	-37.68	**-84.31**
Commonwealth Accommodation Scholarships	-7.50	-23.07	-39.38	-56.52	**-126.47**
Australian Postgraduate Awards increase	0.00	0.00	-0.21	-0.58	**-0.79**
Indigenous Staff Scholarships	-0.16	-0.16	-0.16	-0.17	**-0.65**
Equity					
Indigenous Support Funding	0.00	-1.68	-3.43	-5.26	**-10.38**
Indigenous Higher Education Advisory Council	-0.26	-0.27	-0.27	-0.28	**-1.08**
HEEP modifications	0.00	-2.26	-2.31	-2.36	**-6.93**
Disabilities funding	0.00	-1.07	-1.09	-1.12	**-3.28**
Teaching					
Learning and Teaching performance fund	0.00	0.00	-54.68	-83.82	**-138.50**
National Institute (Grants and Research)	0.00	0.00	-19.36	-19.78	**-39.14**
National Institute (Administration)	0.00	0.00	-2.52	-2.57	**-5.09**
Revised AUTC teaching awards	0.00	0.00	-2.68	-2.74	**-5.42**
Research					
Research performance fund	0.00	0.00	-27.34	-55.88	**-83.22**
RTS growth	0.00	0.00	-3.82	-7.10	**-10.93**
RTS supplement for professional development	0.00	0.00	-14.00	-14.31	**-28.30**
Co-op Centres for Humanities	0.00	0.00	-5.47	-11.18	**-16.64**
BAA programmes					
Systemic Infrastructure Initiative	0.00	0.00	0.00	-58.41	**-58.41**
Research Infrastructure Block Grants	0.00	0.00	0.00	-118.62	**-118.62**
Collaboration, Innovation and Infrastructure					
Collaboration and Innovation fund	0.00	-6.30	-11.91	-28.94	**-47.15**
Ministerial Council for business	0.00	-0.21	-0.22	-0.22	**-0.66**
CDP increase	0.00	0.00	-9.67	-9.88	**-19.55**
Quality					
AUQA increase	0.00	-0.59	-0.60	-0.61	**-1.80**
GSA increase	0.00	-0.27	-0.27	-0.28	**-0.82**
Administration					
Marcus Oldham Buyout	-2.09	0.00	0.00	0.00	**-2.09**
* Higher Education Information Management System	-4.26	-5.43	-5.14	-5.34	**-20.17**
* Promotion	-1.67	-0.64	-0.66	-0.67	**-3.64**
* Implementation Oncosts	-12.30	-6.42	-6.56	-6.71	**-31.99**
TOTAL	**-73.01**	**-250.73**	**-494.33**	**-875.56**	**-1693.62**

* Departmental Expenses. For Implementation Oncosts, only $2.0m (2002 prices) represents Departmental Expenses.

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Table D1 - Fiscal Balance (outturn prices)

	2007-08 $m	2008-09 $m	2009-10 $m	2010-11 $m	2011-12 $m	2012-13 $m	2003-04 to 2012-13 $m
Commonwealth Grant Scheme							
Commonwealth Grant Scheme (Funding by Discipline)	9.23	9.44	9.64	9.86	10.07	10.30	**84.36**
Commonwealth Grant Scheme (7.5 per cent increase)	-223.02	-227.95	-232.98	-238.12	-243.38	-248.75	**-1844.38**
Transition fund	0.00	0.00	0.00	0.00	0.00	0.00	**-12.62**
Regional Loading	-33.90	-34.97	-36.07	-37.13	-38.27	-39.36	**-342.26**
Conversion of Marginal Places	-198.29	-202.66	-207.14	-211.71	-216.39	-221.16	**-1604.92**
Growth Places	-33.87	-52.02	-71.51	-87.64	-107.07	-122.85	**-485.88**
Governance and Workplace Relations							
Workplace productivity programme	-28.56	-29.19	-29.83	-30.49	-31.16	-31.85	**-236.37**
National Priorities							
National priorities - teaching (increase grant)	-28.35	-28.98	-29.62	-30.27	-30.94	-31.62	**-261.20**
National priorities - teaching (decrease student cont.)	-28.35	-28.98	-29.62	-30.27	-30.94	-31.62	**-261.20**
National priorities - nursing (increase grant)	-10.64	-10.88	-11.12	-11.36	-11.61	-11.87	**-107.81**
National priorities - nursing (decrease student cont.)	-10.64	-10.88	-11.12	-11.36	-11.61	-11.87	**-98.06**
National priorities - 1400 places	-7.69	-7.86	-8.03	-8.21	-8.39	-8.57	**-70.83**
New Nursing Places	-6.25	-6.39	-6.53	-6.68	-6.83	-6.98	**-56.68**
Student Financing							
HECS	28.40	36.12	44.99	54.61	64.80	75.77	**368.93**
F-Help	97.30	101.94	106.37	110.70	114.92	119.01	**802.68**
E-Help	69.75	76.23	82.85	89.62	96.56	103.68	**663.97**
OS-Help	31.44	39.05	43.32	47.77	52.39	57.20	**307.75**
Scholarships							
Commonwealth Educational Costs Scholarships	-44.20	-45.42	-46.69	-47.96	-49.24	-50.54	**-368.37**
Commonwealth Accommodation Scholarships	-66.30	-68.13	-70.03	-71.92	-73.83	-75.75	**-552.43**
Australian Postgraduate Awards increase	-1.11	-1.75	-2.35	-2.93	-3.44	-3.96	**-16.33**
Indigenous Staff Scholarships	-0.17	-0.18	-0.18	-0.18	-0.19	-0.19	**-1.74**
Equity							
Indigenous Support Funding	-7.17	-7.33	-7.50	-7.66	-7.83	-8.00	**-55.87**
Indigenous Highre Education Advisory Council	-0.29	-0.29	-0.30	-0.30	-0.31	-0.32	**-2.89**
HEEP modifications	-2.41	-2.46	-2.52	-2.57	-2.63	-2.69	**-22.22**
Disabilities funding	-1.14	-1.17	-1.19	-1.22	-1.25	-1.27	**-10.52**
Teaching							
Learning and Teaching performance fund	-114.23	-116.75	-119.33	-121.97	-124.66	-127.41	**-862.85**
National Institute (Grants and Research)	-20.22	-20.67	-21.12	-21.59	-22.06	-22.55	**-167.35**
National Institute (Administration)	-2.63	-2.69	-2.74	-2.81	-2.87	-2.93	**-21.75**
Revised AUTC teaching awards	-2.80	-2.86	-2.92	-2.99	-3.05	-3.12	**-23.16**
Research							
Research performance fund	-114.23	-116.75	-119.33	-121.97	-124.66	-127.41	**-807.57**
RTS growth	-11.04	-14.99	-18.24	-21.64	-24.25	-27.62	**-128.71**
RTS supplement for professional development	-14.62	-14.94	-15.27	-15.61	-15.96	-16.31	**-121.02**
Co-op Centres for Humanities	-17.13	-17.51	-17.90	-18.29	-18.70	-19.11	**-125.30**
BAA programmes							
Systemic Infrastructure Initiative	0.00	0.00	0.00	0.00	0.00	0.00	**-58.41**
Research Infrastructure Block Grants	0.00	0.00	0.00	0.00	0.00	0.00	**-118.62**
Collaboration, Innovation and Infrastructure							
Collaboration and Innovation fund	-52.42	-53.58	-54.76	-55.97	-57.21	-58.47	**-379.55**
Ministerial Council for business	-0.23	-0.23	-0.24	-0.24	-0.25	-0.25	**-2.10**
CDP increase	-10.10	-10.32	-10.55	-10.78	-11.02	-11.26	**-83.58**
Quality							
AUQA increase	-0.63	-0.64	-0.66	-0.67	-0.69	-0.70	**-5.79**
GSA increase	-0.29	-0.29	-0.30	-0.30	-0.31	-0.32	**-2.63**
Administration							
Marcus Oldham Buyout	0.00	0.00	0.00	0.00	0.00	0.00	**-2.09**
* Higher Education Information Management System	-1.91	-2.27	-2.42	-2.38	-2.08	-2.48	**-33.69**
* Promotion	-0.69	-0.70	-0.72	-0.73	-0.75	-0.76	**-7.99**
* Implementation Oncosts	-6.85	-7.01	-7.16	-7.32	-7.48	-7.64	**-75.45**
TOTAL	**-866.25**	**-886.91**	**-910.81**	**-930.71**	**-952.56**	**-971.63**	**-7212.49**

* Departmental Expenses. For Implementation Oncosts, only $2.0m (2002 prices) represents Departmental Expenses.

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Table D2 – Underlying Cash (outturn prices)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m	2003-04 to 2006-07 $m
Commonwealth Grant Scheme					
Commonwealth Grant Scheme (Funding by Discipline)	0.00	4.00	8.39	8.91	**21.30**
Commonwealth Grant Scheme (7.5 per cent increase)	0.00	-34.82	-105.99	-180.27	**-321.08**
Transition fund	0.00	-6.31	-6.31	0.00	**-12.62**
Regional Loading	-13.95	-29.09	-30.87	-32.18	**-106.10**
Conversion of Marginal Places	0.00	-32.40	-91.75	-141.38	**-265.53**
Growth Places	0.00	0.00	0.00	-5.46	**-5.46**
Governance and Workplace Relations					
Workplace productivity programme	0.00	0.00	-13.67	-27.64	**-41.31**
National Priorities					
National priorities - teaching (increase grant)	0.00	-13.28	-26.85	-27.44	**-67.56**
National priorities - teaching (decrease student cont.)	0.00	-13.28	-26.85	-27.44	**-67.56**
National priorities - nursing (increase grant)	-4.88	-9.86	-10.08	-10.30	**-35.11**
National priorities - nursing (decrease student cont.)	0.00	-4.98	-10.08	-10.30	**-25.36**
National priorities - 1400 places	0.00	-3.60	-7.28	-7.44	**-18.32**
New Nursing Places	-1.05	-2.92	-4.41	-5.59	**-13.97**
Student Financing					
HECS	0.00	6.28	5.68	1.64	**13.59**
F-Help	0.00	0.00	0.19	1.25	**1.44**
E-Help	0.00	0.00	0.00	0.00	**0.00**
OS-Help	0.00	0.00	0.00	0.00	**0.00**
Scholarships					
Commonwealth Educational Costs Scholarships	-2.50	-10.19	-20.82	-31.97	**-65.48**
Commonwealth Accommodation Scholarships	-3.75	-15.29	-31.23	-47.95	**-98.21**
Australian Postgraduate Awards increase	0.00	0.00	-0.10	-0.39	**-0.50**
Indigenous Staff Scholarships	-0.08	-0.16	-0.16	-0.17	**-0.57**
Equity					
Indigenous Support Funding	0.00	-0.84	-2.56	-4.35	**-7.75**
Indigenous Higher Education Advisory Council	-0.13	-0.26	-0.27	-0.28	**-0.94**
HEEP modifications	0.00	-1.13	-2.28	-2.33	**-5.75**
Disabilities funding	0.00	-0.53	-1.08	-1.11	**-2.72**
Teaching					
Learning and Teaching performance fund	0.00	0.00	-27.34	-69.25	**-96.59**
National Institute (Grants and Research)	0.00	0.00	-9.68	-19.57	**-29.25**
National Institute (Administration)	0.00	0.00	-1.26	-2.54	**-3.80**
Revised AUTC teaching awards	0.00	0.00	-1.34	-2.71	**-4.05**
Research					
Research performance fund	0.00	0.00	-13.67	-41.61	**-55.28**
RTS growth	0.00	0.00	-1.91	-5.46	**-7.37**
RTS supplement for professional development	0.00	0.00	-7.00	-14.15	**-21.15**
Co-op Centres for Humanities	0.00	0.00	-2.73	-8.32	**-11.06**
BAA programmes					
Systemic Infrastructure Initiative	0.00	0.00	0.00	-29.20	**-29.20**
Research Infrastructure Block Grants	0.00	0.00	0.00	-59.31	**-59.31**
Collaboration, Innovation and Infrastructure					
Collaboration and Innovation fund	0.00	-3.15	-9.10	-20.42	**-32.68**
Ministerial Council for business	0.00	-0.11	-0.22	-0.22	**-0.54**
CDP increase	0.00	0.00	-4.83	-9.77	**-14.61**
Quality					
AUQA increase	0.00	-0.29	-0.59	-0.61	**-1.50**
GSA increase	0.00	-0.13	-0.27	-0.28	**-0.68**
Administration					
Marcus Oldham Buyout	-1.05	-1.05	0.00	0.00	**-2.09**
* Higher Education Information Management System	-2.13	-4.85	-5.28	-5.24	**-17.50**
* Promotion	-0.84	-1.16	-0.65	-0.66	**-3.31**
* Implementation Oncosts	-6.15	-9.36	-6.49	-6.63	**-28.63**
TOTAL	**-36.50**	**-188.77**	**-470.73**	**-848.15**	**-1544.16**

* Departmental Expenses. For Implementation Oncosts, only $2.0m (2002 prices) represents Departmental Expenses.

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Table D2 – Underlying Cash (outturn prices)

	2007-08 $m	2008-09 $m	2009-10 $m	2010-11 $m	2011-12 $m	2012-13 $m	2003-04 to 2012-13 $m
Commonwealth Grant Scheme							
Commonwealth Grant Scheme (Funding by Discipline)	9.13	9.33	9.54	9.75	9.97	10.19	**79.21**
Commonwealth Grant Scheme (7.5 per cent increase)	-220.61	-225.48	-230.46	-235.55	-240.75	-246.07	**-1720.00**
Transition fund	0.00	0.00	0.00	0.00	0.00	0.00	**-12.62**
Regional Loading	-33.41	-34.44	-35.52	-36.60	-37.70	-38.81	**-322.58**
Conversion of Marginal Places	-181.18	-200.48	-204.90	-209.42	-214.05	-218.77	**-1494.34**
Growth Places	-22.39	-42.95	-61.77	-79.57	-97.35	-114.96	**-424.45**
Governance and Workplace Relations							
Workplace productivity programme	-28.25	-28.87	-29.51	-30.16	-30.83	-31.51	**-220.44**
National Priorities							
National priorities - teaching (increase grant)	-28.04	-28.66	-29.30	-29.94	-30.60	-31.28	**-245.39**
National priorities - teaching (decrease student cont.)	-28.04	-28.66	-29.30	-29.94	-30.60	-31.28	**-245.39**
National priorities - nursing (increase grant)	-10.53	-10.76	-11.00	-11.24	-11.49	-11.74	**-101.87**
National priorities - nursing (decrease student cont.)	-10.53	-10.76	-11.00	-11.24	-11.49	-11.74	**-92.12**
National priorities - 1400 places	-7.60	-7.77	-7.94	-8.12	-8.30	-8.48	**-66.54**
New Nursing Places	-6.19	-6.32	-6.46	-6.61	-6.75	-6.90	**-53.20**
Student Financing							
HECS	-1.70	-3.45	-3.99	-4.48	-4.98	-5.47	**-10.49**
F-Help	2.52	3.89	5.32	6.81	8.36	9.97	**38.32**
E-Help	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
OS-Help	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Scholarships							
Commonwealth Educational Costs Scholarships	-40.94	-44.81	-46.06	-47.33	-48.60	-49.89	**-343.10**
Commonwealth Accommodation Scholarships	-61.41	-67.21	-69.08	-70.97	-72.88	-74.79	**-514.55**
Australian Postgraduate Awards increase	-0.84	-1.43	-2.05	-2.64	-3.19	-3.70	**-14.35**
Indigenous Staff Scholarships	-0.17	-0.17	-0.18	-0.18	-0.18	-0.19	**-1.64**
Equity							
Indigenous Support Funding	-6.22	-7.25	-7.41	-7.58	-7.75	-7.92	**-51.87**
Indigenous Highre Education Advisory Council	-0.28	-0.29	-0.30	-0.30	-0.31	-0.32	**-2.73**
HEEP modifications	-2.39	-2.44	-2.49	-2.55	-2.60	-2.66	**-20.87**
Disabilities funding	-1.13	-1.15	-1.18	-1.21	-1.23	-1.26	**-9.89**
Teaching							
Learning and Teaching performance fund	-99.03	-115.49	-118.04	-120.65	-123.31	-126.03	**-799.15**
National Institute (Grants and Research)	-20.00	-20.44	-20.89	-21.35	-21.83	-22.31	**-156.07**
National Institute (Administration)	-2.60	-2.66	-2.71	-2.77	-2.84	-2.90	**-20.28**
Revised AUTC teaching awards	-2.77	-2.83	-2.89	-2.96	-3.02	-3.09	**-21.60**
Research							
Research performance fund	-85.06	-115.49	-118.04	-120.65	-123.31	-126.03	**-743.87**
RTS growth	-9.07	-13.01	-16.62	-19.94	-22.95	-25.94	**-114.90**
RTS supplement for professional development	-14.46	-14.78	-15.11	-15.44	-15.78	-16.13	**-112.87**
Co-op Centres for Humanities	-14.16	-17.32	-17.71	-18.10	-18.50	-18.91	**-115.74**
BAA programmes							
Systemic Infrastructure Initiative	-29.20	0.00	0.00	0.00	0.00	0.00	**-58.41**
Research Infrastructure Block Grants	-59.31	0.00	0.00	0.00	0.00	0.00	**-118.62**
Collaboration, Innovation and Infrastructure							
Collaboration and Innovation fund	-40.68	-53.00	-54.17	-55.37	-56.59	-57.84	**-350.32**
Ministerial Council for business	-0.23	-0.23	-0.24	-0.24	-0.25	-0.25	**-1.98**
CDP increase	-9.99	-10.21	-10.43	-10.67	-10.90	-11.14	**-77.95**
Quality							
AUQA increase	-0.62	-0.64	-0.65	-0.66	-0.68	-0.69	**-5.44**
GSA increase	-0.28	-0.29	-0.30	-0.30	-0.31	-0.32	**-2.47**
Administration							
Marcus Oldham Buyout	0.00	0.00	0.00	0.00	0.00	0.00	**-2.09**
* Higher Education Information Management System	-3.62	-2.09	-2.34	-2.40	-2.23	-2.28	**-32.45**
* Promotion	-0.68	-0.69	-0.71	-0.72	-0.74	-0.76	**-7.61**
* Implementation Oncosts	-6.78	-6.93	-7.08	-7.24	-7.40	-7.56	**-71.62**
TOTAL	**-1078.73**	**-1116.25**	**-1162.96**	**-1208.55**	**-1253.94**	**-1299.76**	**-8664.35**

* Departmental Expenses. For Implementation Oncosts, only $2.0m (2002 prices) represents Departmental Expenses.

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Table D3 – Operating Result (outturn prices)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m	2003-04 to 2006-07 $m
Commonwealth Grant Scheme					
Commonwealth Grant Scheme (Funding by Discipline)	0.00	8.00	8.78	9.03	**25.82**
Commonwealth Grant Scheme (7.5 per cent increase)	0.00	-69.64	-142.33	-218.20	**-430.18**
Transition fund	0.00	-12.62	0.00	0.00	**-12.62**
Regional Loading	-27.91	-30.28	-31.45	-32.91	**-122.56**
Conversion of Marginal Places	0.00	-64.80	-118.69	-164.07	**-347.57**
Growth Places	0.00	0.00	0.00	-10.92	**-10.92**
Governance and Workplace Relations					
Workplace productivity programme	0.00	0.00	-27.34	-27.94	**-55.28**
National Priorities					
National priorities - teaching (increase grant)	0.00	-26.55	-27.14	-27.74	**-81.43**
National priorities - teaching (decrease student cont.)	0.00	-26.55	-27.14	-27.74	**-81.43**
National priorities - nursing (increase grant)	-9.75	-9.97	-10.19	-10.41	**-40.32**
National priorities - nursing (decrease student cont.)	0.00	-9.97	-10.19	-10.41	**-30.57**
National priorities - 1400 places	0.00	-7.20	-7.36	-7.52	**-22.08**
New Nursing Places	-2.10	-3.75	-5.06	-6.12	**-17.03**
Student Financing					
HECS	0.00	-12.60	-102.80	-69.18	**-184.58**
F-Help	0.00	-2.68	6.10	22.97	**26.39**
E-Help	0.00	-4.48	-7.07	-3.23	**-14.77**
OS-Help	0.00	-0.13	-0.10	0.53	**0.30**
Scholarships					
Commonwealth Educational Costs Scholarships	-5.00	-15.38	-26.25	-37.68	**-84.31**
Commonwealth Accommodation Scholarships	-7.50	-23.07	-39.38	-56.52	**-126.47**
Australian Postgraduate Awards increase	0.00	0.00	-0.21	-0.58	**-0.79**
Indigenous Staff Scholarships	-0.16	-0.16	-0.16	-0.17	**-0.65**
Equity					
Indigenous Support Funding	0.00	-1.68	-3.43	-5.26	**-10.38**
Indigenous Higher Education Advisory Council	-0.26	-0.27	-0.27	-0.28	**-1.08**
HEEP modifications	0.00	-2.26	-2.31	-2.36	**-6.93**
Disabilities funding	0.00	-1.07	-1.09	-1.12	**-3.28**
Teaching					
Learning and Teaching performance fund	0.00	0.00	-54.68	-83.82	**-138.50**
National Institute (Grants and Research)	0.00	0.00	-19.36	-19.78	**-39.14**
National Institute (Administration)	0.00	0.00	-2.52	-2.57	**-5.09**
Revised AUTC teaching awards	0.00	0.00	-2.68	-2.74	**-5.42**
Research					
Research performance fund	0.00	0.00	-27.34	-55.88	**-83.22**
RTS growth	0.00	0.00	-3.82	-7.10	**-10.93**
RTS supplement for professional development	0.00	0.00	-14.00	-14.31	**-28.30**
Co-op Centres for Humanities	0.00	0.00	-5.47	-11.18	**-16.64**
BAA programmes					
Systemic Infrastructure Initiative	0.00	0.00	0.00	-58.41	**-58.41**
Research Infrastructure Block Grants	0.00	0.00	0.00	-118.62	**-118.62**
Collaboration, Innovation and Infrastructure					
Collaboration and Innovation fund	0.00	-6.30	-11.91	-28.94	**-47.15**
Ministerial Council for business	0.00	-0.21	-0.22	-0.22	**-0.66**
CDP increase	0.00	0.00	-9.67	-9.88	**-19.55**
Quality					
AUQA increase	0.00	-0.59	-0.60	-0.61	**-1.80**
GSA increase	0.00	-0.27	-0.27	-0.28	**-0.82**
Administration					
Marcus Oldham Buyout	-2.09	0.00	0.00	0.00	**-2.09**
* Higher Education Information Management System	-4.26	-5.43	-5.14	-5.34	**-20.17**
* Promotion	-1.67	-0.64	-0.66	-0.67	**-3.64**
* Implementation Oncosts	-12.30	-6.42	-6.56	-6.71	**-31.99**
TOTAL	**-73.01**	**-336.98**	**-739.97**	**-1114.87**	**-2264.83**

* Departmental Expenses. For Implementation Oncosts, only $2.0m (2002 prices) represents Departmental Expenses.

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Table D3 – Operating Result (outturn prices)

	2007-08 $m	2008-09 $m	2009-10 $m	2010-11 $m	2011-12 $m	2012-13 $m	2003-04 to 2012-13 $m
Commonwealth Grant Scheme							
Commonwealth Grant Scheme (Funding by Discipline)	9.23	9.44	9.64	9.86	10.07	10.30	**84.36**
Commonwealth Grant Scheme (7.5 per cent increase)	-223.02	-227.95	-232.98	-238.12	-243.38	-248.75	**-1844.38**
Transition fund	0.00	0.00	0.00	0.00	0.00	0.00	**-12.62**
Regional Loading	-33.90	-34.97	-36.07	-37.13	-38.27	-39.36	**-342.26**
Conversion of Marginal Places	-198.29	-202.66	-207.14	-211.71	-216.39	-221.16	**-1604.92**
Growth Places	-33.87	-52.02	-71.51	-87.64	-107.07	-122.85	**-485.88**
Governance and Workplace Relations							
Workplace productivity programme	-28.56	-29.19	-29.83	-30.49	-31.16	-31.85	**-236.37**
National Priorities							
National priorities - teaching (increase grant)	-28.35	-28.98	-29.62	-30.27	-30.94	-31.62	**-261.20**
National priorities - teaching (decrease student cont.)	-28.35	-28.98	-29.62	-30.27	-30.94	-31.62	**-261.20**
National priorities - nursing (increase grant)	-10.64	-10.88	-11.12	-11.36	-11.61	-11.87	**-107.81**
National priorities - nursing (decrease student cont.)	-10.64	-10.88	-11.12	-11.36	-11.61	-11.87	**-98.06**
National priorities - 1400 places	-7.69	-7.86	-8.03	-8.21	-8.39	-8.57	**-70.83**
New Nursing Places	-6.25	-6.39	-6.53	-6.68	-6.83	-6.98	**-56.68**
Student Financing							
HECS	-82.09	-85.14	-82.19	-78.86	-75.43	-71.60	**-659.88**
F-Help	34.55	39.61	44.63	49.71	54.85	60.04	**309.77**
E-Help	0.87	5.23	9.73	14.37	19.14	24.04	**58.61**
OS-Help	1.80	3.89	6.52	9.28	12.16	15.16	**49.11**
Scholarships							
Commonwealth Educational Costs Scholarships	-44.20	-45.42	-46.69	-47.96	-49.24	-50.54	**-368.37**
Commonwealth Accommodation Scholarships	-66.30	-68.13	-70.03	-71.92	-73.83	-75.75	**-552.43**
Australian Postgraduate Awards increase	-1.11	-1.75	-2.35	-2.93	-3.44	-3.96	**-16.33**
Indigenous Staff Scholarships	-0.17	-0.18	-0.18	-0.18	-0.19	-0.19	**-1.74**
Equity							
Indigenous Support Funding	-7.17	-7.33	-7.50	-7.66	-7.83	-8.00	**-55.87**
Indigenous Highre Education Advisory Council	-0.29	-0.29	-0.30	-0.30	-0.31	-0.32	**-2.89**
HEEP modifications	-2.41	-2.46	-2.52	-2.57	-2.63	-2.69	**-22.22**
Disabilities funding	-1.14	-1.17	-1.19	-1.22	-1.25	-1.27	**-10.52**
Teaching							
Learning and Teaching performance fund	-114.23	-116.75	-119.33	-121.97	-124.66	-127.41	**-862.85**
National Institute (Grants and Research)	-20.22	-20.67	-21.12	-21.59	-22.06	-22.55	**-167.35**
National Institute (Administration)	-2.63	-2.69	-2.74	-2.81	-2.87	-2.93	**-21.75**
Revised AUTC teaching awards	-2.80	-2.86	-2.92	-2.99	-3.05	-3.12	**-23.16**
Research							
Research performance fund	-114.23	-116.75	-119.33	-121.97	-124.66	-127.41	**-807.57**
RTS growth	-11.04	-14.99	-18.24	-21.64	-24.25	-27.62	**-128.71**
RTS supplement for professional development	-14.62	-14.94	-15.27	-15.61	-15.96	-16.31	**-121.02**
Co-op Centres for Humanities	-17.13	-17.51	-17.90	-18.29	-18.70	-19.11	**-125.30**
BAA programmes							
Systemic Infrastructure Initiative	0.00	0.00	0.00	0.00	0.00	0.00	**-58.41**
Research Infrastructure Block Grants	0.00	0.00	0.00	0.00	0.00	0.00	**-118.62**
Collaboration, Innovation and Infrastructure							
Collaboration and Innovation fund	-52.42	-53.58	-54.76	-55.97	-57.21	-58.47	**-379.55**
Ministerial Council for business	-0.23	-0.23	-0.24	-0.24	-0.25	-0.25	**-2.10**
CDP increase	-10.10	-10.32	-10.55	-10.78	-11.02	-11.26	**-83.58**
Quality							
AUQA increase	-0.63	-0.64	-0.66	-0.67	-0.69	-0.70	**-5.79**
GSA increase	-0.29	-0.29	-0.30	-0.30	-0.31	-0.32	**-2.63**
Administration							
Marcus Oldham Buyout	0.00	0.00	0.00	0.00	0.00	0.00	**-2.09**
* Higher Education Information Management System	-1.91	-2.27	-2.42	-2.38	-2.08	-2.48	**-33.69**
* Promotion	-0.69	-0.70	-0.72	-0.73	-0.75	-0.76	**-7.99**
* Implementation Oncosts	-6.85	-7.01	-7.16	-7.32	-7.48	-7.64	**-75.45**
TOTAL	**-1138.00**	**-1176.67**	**-1209.64**	**-1238.91**	**-1270.51**	**-1299.65**	**-9598.22**

* Departmental Expenses. For Implementation Oncosts, only $2.0m (2002 prices) represents Departmental Expenses.

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Impact of the Reform measures on the total levels of Debt

The proposed amendments to existing student loan arrangements (HECS) and the introduction of new loan programmes will have an impact on the total level of student debt. As at 30 June 2002, the accumulated HECS debt stood at approximately $8.7 billion. Table D4 indicates how the reform measures will impact the total level of outstanding student debt and provides a comparison with the estimated total debt levels under the current arrangements.

Table D4 – Total Outstanding Debt Levels

	2003/04	**2004/05**	**2005/06**	**2006/07**	**2007/08**
Current Arrangements	9963.96	10803.33	11506.72	12250.53	12962.97
Proposed Arrangements	9963.96	11030.17	12313.02	13812.45	15419.08
Difference	**0.00**	**226.84**	**806.31**	**1561.92**	**2456.12**
	2008/09	**2009/10**	**2010/11**	**2011/12**	**2012/13**
Current Arrangements	13728.73	14549.89	15428.58	16367.01	17367.46
Proposed Arrangements	17156.44	18987.67	20914.81	22940.56	25067.67
Difference	**3427.72**	**4437.79**	**5486.23**	**6573.55**	**7700.21**

* Figures in this table represent the estimated total outstanding debt level as at the end of the financial year and should not be accumulated to determine total debt levels.

The impact of the individual loan programmes on outstanding debt levels are outlined in the table below.

Table D5 – Impact of Loan programmes on Total Outstanding Debt Levels

	2003/04	**2004/05**	**2005/06**	**2006/07**	**2007/08**
HECS - HELP	0.00	48.17	220.64	483.72	823.68
FEE-HELP	0.00	48.32	172.01	334.27	510.40
E-HELP	0.00	114.10	347.56	592.12	846.31
OS-HELP	0.00	16.25	66.10	151.81	275.73
Total impact	**0.00**	**226.84**	**806.31**	**1561.92**	**2456.12**

* Figures in this table represent the estimated total outstanding debt level as at the end of the financial year and should not be accumulated to determine total debt levels.

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Table D5 – Impact of Loan programmes on Total Outstanding Debt Levels (continued)

	2008/09	2009/10	2010/11	2011/12	2012/13
HECS - HELP	1212.55	1628.46	2071.59	2542.73	3042.58
FEE-HELP	684.60	856.19	1024.61	1189.23	1349.43
E-HELP	1107.98	1377.10	1653.74	1938.01	2230.04
OS-HELP	422.59	576.03	736.29	903.58	1078.15
Total impact	**3427.72**	**4437.79**	**5486.23**	**6573.55**	**7700.21**

* Figures in this table represent the estimated total outstanding debt level as at the end of the financial year and should not be accumulated to determine total debt levels.

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Impact of the Reform measures on levels of Doubtful Debt

The proposed amendments to existing student loan arrangements (HECS) and the introduction of new loan programmes will have an impact on the level of doubtful debt. Currently, the Australian Government Actuary (AGA) estimates that 21.37 per cent of outstanding student debt is unlikely to be repaid. This estimate is calculated by AGA using a microsimulation model of individual income and repayment profiles. The level of doubtful debt as modelled by AGA has risen over the past few years. The table below shows the impact that the reform package will have on doubtful debt levels compared with current arrangements.

Table D6 – Total Doubtful Debt Levels

	2003/04	**2004/05**	**2005/06**	**2006/07**	**2007/08**
Current Arrangements	2129.30	2308.67	2458.99	2617.94	2770.19
Proposed Arrangements	2129.30	2395.12	2791.01	3188.81	3611.92
Difference	**0.00**	**86.45**	**332.03**	**570.87**	**841.73**

	2008/09	**2009/10**	**2010/11**	**2011/12**	**2012/13**
Current Arrangements	2933.83	3109.31	3297.09	3497.63	3711.43
Proposed Arrangements	4064.01	4536.58	5030.37	5546.24	6084.95
Difference	**1130.18**	**1427.27**	**1733.29**	**2048.61**	**2373.53**

* Figures in this table represent the estimated total doubtful debt level as at the end of the financial year and should not be accumulated to determine total debt levels.

AGA provided revised doubtful debt estimates based on the proposed changes to the HECS arrangements and the introduction of new loan programmes. The doubtful debt provision varies between the different loan programmes as follows:

HECS-HELP:
AGA considered the proposed changes to HECS and advised that the level of doubtful debt is likely to increase by 2.5 per cent to **23.87 per cent**. Approximately 0.5 per cent of this increase is attributed to changes in the repayment thresholds. The remaining 2 per cent is attributed to the increase in student contribution levels likely to result from public higher education institutions being able to set their own student contribution levels within the limits established by the Commonwealth.

FEE-HELP
A number of different student cohorts will have access to FEE-HELP loans and the level of doubtful debt for each cohort will vary. AGA estimated that students accessing FEE-HELP for the purposes of undertaking studies through Open Learning Australia or to undertake a bridging programme to update their overseas qualifications will have the same doubtful debt level as HECS students (**23.87 per cent)** as these students are likely to have the same characteristics of HECS debtors.

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Postgraduate students at public institutions accessing FEE-HELP are likely to have an existing debt. AGA estimated that the existing debt together with the impact of the 30% loan fee will result in a doubtful debt level for this student cohort of **30 per cent**.

Undergraduate students at public institutions accessing FEE-HELP are likely to have higher debt levels than equivalent HECS students. AGA estimated that these higher debt levels will result in a doubtful debt level for this student cohort of **25 per cent**.

Students in private institutions accessing FEE-HELP are also likely to have higher debt levels than equivalent HECS students and AGA estimated that this student cohort will have a doubtful debt level of **27 per cent**.

E-HELP
Students accessing E-HELP will incur higher debt levels than those who simply take out a HECS-HELP loan and AGA has estimated that this student cohort will have a doubtful debt level of **27 per cent**.

OS-HELP
Although students accessing OS-HELP will incur higher debt levels than those who simply take out a HECS-HELP loan, the merit-based nature of the allocation of these loans and the academic requirements necessary for students to participate in overseas exchange programmes, ensure that the quality of students accessing OS-HELP will be high. For this reason, AGA have estimated that the level of doubtful debt for OS-HELP would be the same as for HECS at **23.87 per cent**.

The impact of the individual loan programmes on doubtful debt levels are outlined in the table below.

Table D7 – Impact of Loan programmes on Total Doubtful Debt Levels

	2003/04	2004/05	2005/06	2006/07	2007/08
HECS - HELP	0.00	30.10	154.34	248.13	357.99
FEE-HELP	0.00	21.67	68.07	126.64	189.43
E-HELP	0.00	30.81	93.84	159.87	228.50
OS-HELP	0.00	3.88	15.78	36.24	65.82
Total impact	**0.00**	**86.45**	**332.03**	**570.87**	**841.73**

* Figures in this table represent the estimated total doubtful debt level as at the end of the financial year and should not be accumulated to determine total debt levels.

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Table D7 – Impact of Loan programmes on Total Doubtful Debt Levels (continued)

	2008/09	2009/10	2010/11	2011/12	2012/13
HECS - HELP	478.43	604.59	736.86	875.67	1021.40
FEE-HELP	251.72	313.36	374.17	433.99	492.66
E-HELP	299.15	371.82	446.51	523.26	602.11
OS-HELP	100.87	137.50	175.75	215.68	257.35
Total impact	**1130.18**	**1427.27**	**1733.29**	**2048.61**	**2373.53**

* Figures in this table represent the estimated total doubtful debt level as at the end of the financial year and should not be accumulated to determine total debt levels.

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Impact of the Reform measures on Public Debt Interest Costs

Table D8 – Public Debt Interest Costs under current loan arrangements

	2003-04	2004-05	2005-06	2006-07	**2003-04 to 2006-07**		
	$m	$m	$m	$m	**$m**		
TOTAL	505.51	542.55	572.19	603.56	**2223.80**		
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	**2003-04 to 2012-13**
	$m	$m	$m	$m	$m	$m	**$m**
TOTAL	632.57	663.53	696.50	731.51	768.60	807.83	**6524.34**

Table D9 – Impact of the new loan arrangements on Public Debt Interest Costs

	2003-04	2004-05	2005-06	2006-07	**2003-04 to 2006-07**		
	$m	$m	$m	$m	**$m**		
HECS-HELP	0.00	1.86	9.36	21.29	**32.51**		
F-HELP	0.00	1.48	5.01	8.71	**15.19**		
E-HELP	0.00	4.42	13.37	22.53	**40.32**		
OS-HELP	0.00	0.63	2.55	5.81	**8.99**		
TOTAL	0.00	8.39	30.29	58.33	**97.02**		
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	**2003-04 to 2012-13**
	$m	$m	$m	$m	$m	$m	**$m**
HECS-HELP	36.95	54.76	73.49	93.12	113.66	135.10	**539.58**
F-HELP	12.68	16.32	19.61	22.53	25.05	27.14	**138.52**
E-HELP	31.84	41.20	50.61	60.07	69.56	79.09	**372.71**
OS-HELP	10.47	15.91	21.47	27.15	32.96	38.89	**155.83**
TOTAL	91.94	128.19	165.18	202.87	241.22	280.22	**1206.63**

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The proposal to extend student loan schemes will increase the Commonwealth's stock of outstanding student loans. The full cost to the Commonwealth of these measures includes the cost of financing these loans, as reflected by higher public debt interest (PDI) costs. PDI costs are identified above and as is consistent costing practice for cabinet submission not included in the costings for the loan schemes in this submission.

The public debt interest cost reflects the level of outstanding student loans and applying a general Commonwealth borrowing rate. The indicative annual PDI cost on student loans of $8.4 billion (primarily HECS) in 2001-02, using a general Commonwealth borrowing rate, is estimated to be around $445 million. Increased borrowing under HECS, due to the deregulation of HECS fees, and the new loan schemes will increase the stock of outstanding student debt. With the proposed changes, outstanding Commonwealth lending will reach $13 billion in 2006-07, with an indicative annual PDI cost of around $660 million. By

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2012-13, outstanding Commonwealth loans to students are expected to be more than $21 billion, implying an indicative PDI cost of around $1.1 billion in that year. PDI costs are expected to continue increasing as outstanding student loans accumulate. PDI costs will fluctuate over time with changes in market interest rates.

Not accounted for in the numbers above is that the PDI cost associated with HECS is partly offset by CPI indexation of the loans (which is treated as an interest receipt), in the case of F-HELP, E-HELP and OS-HELP the application of the 30 per cent loan fee will over time broadly offset the PDI cost associated with these schemes. The loan fee has been determined taking into account the current pattern of loans and repayments, the average time that students are expected to repay (9 years) and using a 3 per cent real interest rate considered to be reasonable a proxy for the difference between the CPI and the Commonwealth bond rate. It is designed to reflect the cost to the Commonwealth of financing student loans and does not seek to cover bad and doubtful debts. The loan fee will extend the repayment profile for lenders and over time should be sufficient to recoup what was lent out (assuming that the difference between the CPI and the Commonwealth bond rate remains sufficiently low).

However, the impact on the budget underlying cash balance will be effected by timing differences. The Commonwealth will start to incur financing costs when student loans are issued whereas indexation receipts and the 30 per cent loan fee will not be recorded for underlying cash purposes until these amounts are repaid.

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Impact of New Thresholds on loan programme costings

Central Agencies have requested that the submission identify the impact of the new repayment thresholds on the costings for the loan programmes. The impact of the new thresholds is minor. The new thresholds have a negative impact on Operating Result and Underlying Cash of around $13 million and $4.5 million per year respectively but the impact reduces over time. The new thresholds progressively improve Fiscal Balance over the long term. The table below identifies the impact that the new thresholds have on the total loans costings.

Table D10 – Impact of new Thresholds on total loan programme costings

	2003-04	2004-05	2005-06	2006-07	**2003-04 to 2006-07**
	$m	$m	$m	$m	**$m**
Operating result	0.00	-16.72	-51.20	-13.29	**-81.21**
Underlying cash	0.00	0.00	-4.67	-4.67	**-9.35**
Fiscal balance	0.00	0.00	0.00	0.67	**0.67**

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	**2003-04 to 2012-13**
	$m	$m	$m	$m	$m	$m	**$m**
Operating result	-13.33	-13.32	-13.22	-13.13	-13.03	-12.94	**-160.17**
Underlying cash	-4.67	-4.67	-4.67	-4.67	-4.67	-4.67	**-37.40**
Fiscal balance	1.35	2.05	2.76	3.49	4.24	5.01	**19.56**

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ATTACHMENT E

Examples of student debt under Reform arrangements

Undergraduate HECS students

HUMANITIES GRADUATE	
Outstanding Debt (including indexation)	$16,927
Years to repayment after graduation	7

Scenario
* Full-time HECS Band 1 rate for 3 years from 2005 - Total HECS debt $14,179
* HECS rates based on 20 per cent increase in student contribution levels
* Average E-Help loan for first two years of degree - Total E-HELP debt $2,347
* Commences employment in 2008
* Earnings projections from graduation based on 2001 cenus data for humanities graduates
* Median salary indexed for average AWE growth pa of 3.54%
* CPI flatlined at 2.42%
* New repayment thresholds as per costing

ENGINEER	
Outstanding Debt (including indexation)	$37,778
Years to repayment after graduation	8

Scenario
* Full-time HECS Band 2 rate for 4 years from 2005 - Total HECS debt $27,231
* HECS rates based on 20 per cent increase in student contribution levels
* Average E-Help loan for each year of degree - Total E-HELP debt $4,773
* One semester of overseas exchange loan - $5000 debt
* Commences employment as engineer in 2009
* Earnings projections from graduation based on 2001 cenus data
* Median engineering salary indexed for average AWE growth pa of 3.54%
* CPI flatlined at 2.42%
* New repayment thresholds as per costing

TEACHER	
Outstanding Debt (including indexation)	$18,491
Years to repayment after graduation	7

Scenario
* Full-time Priority HECS rate for 4 years from 2005 - Total HECS debt $13,281
* HECS rates equivalent to base rate for priority band
* Average E-Help loan for each year of degree - Total E-HELP debt $4,773
* Commence employment as teacher in 2009
* Earnings projections from graduation based on 2001 census data
* Median education salary indexed for average AWE growth pa of 3.54%
* CPI flatlined at 2.42%
* New repayment thresholds as per costing

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Postgraduate fee-paying students with existing HECS debt

IT GRADUATE completing a 2 year postgraduate degree	
Outstanding Debt (including indexation)	$52,134
Years to repayment after graduation	9

Scenario
* Full-time domestic postgraduate fee-payer for 2 years from 2008
* Total F-HELP loan for postgraduate course $29,909
* HECS debt of $21,187 from undergraduate IT degree completed in 2007
* Commences employment in 2010
* Earnings projections from graduation based on 2001 cenus data for IT graduates
* Median salary indexed for average AWE growth pa of 3.54%
* CPI flatlined at 2.42%
* New repayment thresholds as per costing

ACCOUNTING Graduate completing a 2 year PG degree	
Outstanding Debt (including indexation)	$52,134
Years to repayment after graduation	11

Scenario
* Full-time domestic postgraduate fee-payer for 2 years from 2008
* Total F-HELP loan for postgraduate course $29,909
* HECS debt of $21,187 from undergraduate accounting degree completed in 2007
* Commences employment in 2010
* Earnings projections from graduation based on 2001 cenus data for commerce graduates
* Median salary indexed for average AWE growth pa of 3.54%
* CPI flatlined at 2.42%
* New repayment thresholds as per costing

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Undergraduate fee-paying students (private institutions)

FEE-PAYING BUSINESS GRADUATE	
Outstanding Debt (including indexation)	$32,765
Years to repayment after graduation	8

Scenario
* Full-time domestic fee-payer for 3 years from 2005
* Total F-HELP debt $32,765
* Fees based on current rates charged at private institutions
* Commences employment in 2008
* Earnings projections from graduation based on 2001 cenus data for management and commerce graduates
* Median salary indexed for average AWE growth pa of 3.54%
* CPI flatlined at 2.42%
* New repayment thresholds as per costing

FEE-PAYING HEALTH TECHNICIAN	
Outstanding Debt (including indexation)	$32,765
Years to repayment after graduation	11

Scenario
* Full-time domestic fee-payer for 3 years from 2005
* Total F-HELP debt $32,765
* Fees based on current rates charged at private institutions
* Commences employment in 2008
* Earnings projections from graduation based on 2001 cenus data for health graduates
* Median salary indexed for average AWE growth pa of 3.54%
* CPI flatlined at 2.42%
* New repayment thresholds as per costing

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ATTACHMENT F

MODELLING OF REDUCED SUBSIDIES

The Senior Ministers' Review (SMR) Minute (JH02/0491/SM) dated 12 December 2002 requested some modelling be undertaken to examine the financial impact of reduced Commonwealth subsidy levels for particular disciplines.

Any such model would reduce the average funding rate, thereby negating, at least partially, any additional funding the reform package otherwise includes. As part of the review process it was established that the cost of course provision has increased considerably and that the level of Commonwealth subsidy is insufficient for the long term sustainability of the sector. This proposed subsidy reduction would force institutions that would otherwise not have increased their fees to increase student fees to compensate for the reduction in Commonwealth funding. It would create a distortion of the market and be difficult to defend publicly.

Under the proposed Commonwealth Grant Scheme, the number and the discipline mix of places that the Commonwealth will support will be negotiated with each institution, on a rolling triennium basis. The Commonwealth will provide a contribution towards the cost of providing each Commonwealth supported place. The Commonwealth contribution to a course will be set in 10 clusters (plus additional special clusters for national priorities) and based on the cost of delivery, private rate of return and national priorities. The table below indicates the level of contribution from 2007 for each of the funding clusters.

Table F1 – Standard Funding Clusters

Standard Funding Cluster	**Disciplines within Cluster**	**Commonwealth Contribution**
Cluster 1	Law	$1,651
Cluster 2	Accounting, Administration, Economics, Commerce	$2,715
Cluster 3	Humanities	$4,573
Cluster 4	Mathematics, Statistics	$5,401
Cluster 5	Behavioural Science, Social Studies	$7,260
Cluster 6	Computing, Built Environment, Health	$8,086
Cluster 7	Foreign Languages, Visual and Performing Arts	$9,945
Cluster 8	Engineering, Science, Surveying	$13,459
Cluster 9	Dentistry, Medicine, Veterinary Science	$16,871
Cluster 10	Agriculture	$17,935

Table F2 – National Priority Funding Clusters

National Priority Funding Cluster	**Commonwealth Contribution**
Teaching	$8,721
Nursing	$11,406

On advice from The Treasury, modelling was undertaken to examine the impact of a reduction in the Commonwealth's contribution under Cluster 2 to the level of the contribution provided under Cluster 1 (See Table F1). This particular change would target students undertaking studies in Commerce and Management disciplines. The immediate result of this

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change would be a 39 per cent reduction in the Commonwealth's contribution to these disciplines. Student contributions would need to increase by 19 per cent in order for institutions to maintain funding for those disciplines at current levels.

The increased student contribution levels necessary to maintain funding levels at current rates will also jeopardise some institutions' ability to compete in a deregulated environment. The Review process indicated that some institutions will be in a much better position than others to generate additional income through increased student charges. Those institutions that are not in a position to attract students with increased student contributions levels will become vulnerable and may even be forced to discontinue providing those disciplines where the Commonwealth contribution has been decreased. Such a change could threaten the continued viability of some institutions.

There are currently no rational reasons to consider reductions in the Commonwealth contribution for particular disciplines. Any decision to reduce funding for particular disciplines would have to be based on either anecdotal or political reasons and would be subject to extremely strong criticism from the sector and the broader community.

Reduced Commonwealth contribution levels for particular disciplines have a differential impact on institutions. The impact of the modelled amendment to the Commonwealth contribution shows how each institution is effected by such changes (See Table F3). The impact of reducing the cluster 2 subsidy level has only a 1.4 per cent impact on the funding for the University of Melbourne yet has a substantial 4.6 per cent impact on Victoria University of Technology.

Table F3 – Impact of reduced subsidy level for funding cluster 2 (2005)

Institution	CGS funding (current clusters) $m	CGS funding (modelled clusters) $m	Difference $m	Loss as a Percentage of CGS funding %
Avondale College	$1.54	$1.54	-$0.00	-0.1%
Charles Sturt University	$63.02	$61.98	-$1.04	-1.6%
Macquarie University	$53.81	$51.88	-$1.93	-3.6%
Southern Cross University	$30.86	$29.82	-$1.03	-3.4%
The University of New England	$45.21	$44.34	-$0.88	-1.9%
The University of New South Wales	$114.01	$112.16	-$1.85	-1.6%
The University of Newcastle	$82.40	$81.05	-$1.36	-1.6%
The University of Sydney	$157.74	$155.50	-$2.24	-1.4%
University of Technology, Sydney	$82.58	$79.95	-$2.63	-3.2%
University of Western Sydney	$111.12	$107.57	-$3.55	-3.2%
University of Wollongong	$51.37	$49.95	-$1.42	-2.8%
Deakin University	$87.78	$86.08	-$1.70	-1.9%
La Trobe University	$93.54	$91.56	-$1.98	-2.1%
Monash University	$147.40	$144.09	-$3.32	-2.2%
Royal Melbourne Institute of Technology	$97.93	$95.82	-$2.11	-2.2%
Swinburne University of Technology	$39.43	$38.61	-$0.82	-2.1%
The University of Melbourne	$139.33	$137.40	-$1.93	-1.4%
University of Ballarat	$21.79	$21.42	-$0.37	-1.7%
Victoria University of Technology	$55.16	$52.63	-$2.53	-4.6%

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Central Queensland University	$44.96	$44.01	-$0.95	-2.1%
Griffith University	$105.28	$102.75	-$2.53	-2.4%
James Cook University	$55.96	$55.22	-$0.74	-1.3%
Queensland University of Technology	$123.05	$120.62	-$2.43	-2.0%
The University of Queensland	$152.30	$149.72	-$2.58	-1.7%
University of Southern Queensland	$46.41	$45.40	-$1.01	-2.2%
University of the Sunshine Coast	$15.69	$15.11	-$0.58	-3.7%
Curtin University of Technology	$94.40	$92.50	-$1.90	-2.0%
Edith Cowan University	$72.71	$71.28	-$1.43	-2.0%
Murdoch University	$40.77	$40.15	-$0.62	-1.5%
The University of Notre Dame Australia	$2.64	$2.63	-$0.01	-0.5%
The University of Western Australia	$70.23	$69.19	-$1.04	-1.5%
The Flinders University of South Australia	$50.65	$50.07	-$0.58	-1.1%
The University of Adelaide	$66.74	$65.53	-$1.21	-1.8%
University of South Australia	$92.63	$90.73	-$1.89	-2.0%
Australian Maritime College	$5.51	$5.44	-$0.07	-1.4%
University of Tasmania	$59.62	$58.73	-$0.90	-1.5%
Batchelor Institute of Indigenous Tertiary Education	$3.60	$3.57	-$0.02	-0.6%
Northern Territory University	$16.20	$15.93	-$0.28	-1.7%
The Australian National University	$34.90	$34.16	-$0.75	-2.1%
University of Canberra	$32.28	$31.29	-$0.98	-3.0%
Australian Catholic University	$39.70	$39.13	-$0.57	-1.4%
TOTAL	$2,702.27	$2,646.51	-$55.76	

The modelling shows a potential savings in the Commonwealth Grant Scheme of around $60 million per annum. However, the impact of taking $60 million out of the sector at a time when it is evident that the long term sustainability of the sector is in question is not recommended for the reasons outlined above.

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Fiscal Balance	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2003-04 to 2006-07**
Commonwealth Grant Scheme (package option)	0.00	-56.23	-128.44	-203.82	-388.49
Commonwealth Grant Scheme (modelled version)	0.00	3.39	-66.05	-138.55	-201.21
Difference	**0.00**	**59.62**	**62.39**	**65.27**	**187.28**

Underlying Cash	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2003-04 to 2006-07**
Commonwealth Grant Scheme (package option)	0.00	-28.11	-92.33	-166.13	-286.57
Commonwealth Grant Scheme (modelled version)	0.00	1.69	-31.33	-102.30	-131.94
Difference	**0.00**	**29.80**	**61.00**	**63.83**	**154.63**

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ATTACHMENT G

OPTIONS PROPOSED BY CENTRAL AGENCIES

Ministers agreed (JH03/0029/CAB) that the Department of Prime Minister and Cabinet, the Treasury, and the Department of Finance and Administration be consulted on the development of options and supporting information for a package to be considered by ERC. Those departments have proposed that the following options be considered by ERC. I do not support these options because they undermine the integrity of package initiatives as they would not achieve the desired outcomes. My specific objections are detailed in the 'DEST response' sections of each option description in this attachment.

OPTION [1]: NOT AMEND THE SOCIAL SECURITY ACT

The Minister proposes to establish Commonwealth Education Costs (CEC) and Commonwealth Accommodation (CA) Scholarships. He also proposes amending the *Social Security Act 1991* to exclude these new scholarships from the social security income test.

ERC may wish to consider that to exclude these scholarships from the social security income test will:

- create an anomaly with most other scholarships, leading to pressure to exempt them;
- complicate the Social Security income test;
- lead to double-dipping of Commonwealth income support in some circumstances; and
- create an inconsistency between scholarship holders and others with income from other sources.

There are **no** direct **financial implications** from leaving the Social Security Act unamended. However, if the Act is amended, it will create pressure to broaden the exemption with associated costs to the social security system.

The social security treatment of existing scholarships

Income is defined broadly in the Social Security Act. Currently, all scholarships awarded in Australia are counted as income for social security purposes. This includes all undergraduate and postgraduate scholarships currently funded by the Commonwealth (for example, Rural Australia Medical Undergraduate Scholarships). A limited number of exemptions apply to overseas awarded scholarships which are not intended to be used wholly or partly to assist recipients to meet living expenses and which have been specifically exempted by the Minister for Family and Community Services. (This exemption applies to Rotary Foundation Ambassadorial Scholarship provided that they do not contain any component for living expenses, Cambridge Commonwealth Trust Fees Scholarships and scholarships awarded by the Association of Mouth and Foot Painting Artists, Liechtenstein.)

The treatment of CEC and CA Scholarships under the existing Social Security Act

Creating an exemption for CEC and CA Scholarships would undermine the principle that all scholarships which are awarded in Australia and/or are intended to help students meet living and educational expenses are treated as income under the income test. If a new exemption is created for CEC and CA scholarships, it is likely that pressure would emerge to extend the exemption to other scholarships awarded in Australia or which assist recipients with living

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expenses. The Department of Family and Community Services estimate that the cost of exempting all existing scholarships could raise Youth Allowance program outlays by $10 million/year. The total fiscal effect could be larger as some students not on Youth Allowance (such as sole parents pensioners and DSP recipients) may also hold scholarships.

Impact on payments and potential double-dipping

CEC and CA Scholarships will be targeted towards students from low socio-economic and/or Indigenous backgrounds or experiencing financial hardship.

- CECS will assist students with educational expenses and will be worth $2000/year for up to four years.
- CAS will assist full-time students with accommodation expenses and will be worth $5000/year for up to four years.

Since full-time students on Youth Allowance or Austudy can currently earn up to $6136/year (indexed) before the income test applies, the social security income test will have little or no impact on the majority of scholarship recipients. However, students who simultaneously receive both a CEC and a CA scholarship (*ie* a total of $7000) will have their income support payment reduced by around $400/year.

People on most payments have access to Rent Assistance and those on pensions such as PPS and DSP have access to the Pensioner Education Supplement. By receiving scholarships with no means test, in addition to these payments, these people would be effectively assisted twice.

Inconsistency with other forms of income

It is not clear why a student who receives income from a CEC or CA should be treated preferentially compared with a student with income from a different scholarship or from working. An exemption would also create a new set of inconsistent work incentives for CEC and CA scholarship holders relative to students who work or who are in receipt of other scholarships. For example, a student with both CEC and CA scholarships would be able to earn a total of $13136 ($2000 CEC, $5000 CA and $6136 other income) before their Youth Allowance or Austudy starts to be reduced. Other students, who may be equally needy, will only be able to earn $6136.

Since the scholarships will only be available to full-time students, they will be tax exempt. This means that, even without an exemption from the social security means test, scholarship holders will be better off than students who earn the same amount by working.

DEST response

Treasury opposes proposed amendments to the *Social Security Act* that would exclude the Commonwealth Education Costs (CEC) and Commonwealth Accommodation (CA) Scholarships from the social security income test.

DEST maintains its position that these scholarships should be excluded from the income test on the grounds that:

- Exposing students to reductions in income support as a result of receiving a scholarship will result in perceptions that the scholarships are nothing more than the

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Commonwealth 'giving with one hand but taking with the other'. This will reduce the potency of the policy as a means for the Commonwealth to demonstrate its support for students in need.

- The scholarship programmes will be highly selective and scholarships will only be awarded to highly meritorious students. Despite distribution being focussed on financial need, the scholarships are not solely focused on financial need. Rather, they perform a reward function and enable additional investment in high-potential students from educationally disadvantaged backgrounds. Not exempting these scholarships undermines the intent of their purpose.
- Treasury's states "that all scholarships which are awarded in Australia and/are intended to help students meet living and educational expenses are treated as income under the income test". However, it should be noted that because of the scholarship distribution to meritorious students from disadvantaged backgrounds, these scholarships serve an indirect, but important, purpose of improving outcomes and choice for equity group members.
- Although part of the intent of the scholarships is to reduce the hours worked by students during academic semesters by covering some of their accommodation and educational costs, scholarship recipients should retain the financial flexibility to undertake some paid employment during semester breaks. It is considered regressive to create a disincentive for students to undertake some work. By making scholarships count as income for social security purposes, there is little financial incentive for students to maintain any part-time work.

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OPTION [2]: ALTERNATIVE INDEXATION ARRANGEMENTS FOR THE NEW LOAN SCHEMES

The Minister proposes that the new loan schemes (FEE-HELP, E-HELP and OS-HELP) involve a 30% loan fee and indexation of the balance to the CPI. If the loans are structured in this way, they will:

- create a significant net subsidy from the Commonwealth relating to bad and doubtful debts (the 30% loan fee does not attempt to cover these write-offs);
- create a cross subsidy from students undertaking low cost courses to students undertaking high cost courses or who take longer to repay their debts;
- involve a significant risk that the proposed 30% loan fee will be inadequate to cover the Commonwealth's cost of borrowing (if students take longer than expected to repay their debts); and
- reduces financial transparency to government by effectively reducing the cost of loans automatically through time, rather than through explicit decisions of Ministers.

An alternative structure for the loans

An alternative to charging a 30% loan fee and indexing the balance to the CPI would be to index outstanding FEE-HELP, E-HELP and OS-HELP loans to the CPI plus 3½ per cent. CPI plus 3½% is a reasonable proxy for the Commonwealth bond rate and would be simpler to administer than explicitly indexing debts to the bond rate. Like the 30% loan fee option, it does not seek to cover bad and doubtful debts.

- If Ministers wanted to cover the cost of bad and doubtful debts, the loan fee option would need to increase to around 60% or debts would need to be indexed to around CPI plus 6½%.

Under the CPI plus 3½% approach, FEE-HELP, E-HELP and OS-HELP debts will need to be separately identified from HECS, since HECS debts would still be indexed to the CPI only. Compulsory repayments would be directed towards repaying HECS loans first since they would involve greater cost for the Commonwealth. However, students could be given the choice about whether voluntary repayments are applied towards their HECS liability or their liabilities under the new schemes.

Concessional nature of the schemes

Compared with market interest rates, the CPI plus 3½% approach is concessional since it does not seek to cover the cost of bad and doubtful debts or the profit margin that would required by a commercial bank. On average, both the 30% loan fee and the CPI plus 3½% options are equally concessional. However, under the CPI plus 3½% approach, the real interest charge faced by each student reflects the cost to the Commonwealth of financing that student's loans. In contrast, the 30% loan fee is based on an implicit assumption about the average time that students are expected to repay their loans.

- Since the CPI plus 3½% is significantly below a market interest rate, it should avoid the problems experienced by the New Zealand student loans scheme where debts were indexed to a market interest rate, which was both higher and more volatile.

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Cross-subsidies associated with a fixed loan fee

The 30% loan fee is based on the average time that students are expected to repay their loans under the new schemes. This means that the loan fee for students who repay their loans quickly will be greater than the cost of Commonwealth borrowing to finance these loans. At the same time, the loan fee will be less than the cost of Commonwealth borrowing for students who take longer than average to repay. This effectively means that students who repay their loans relatively quickly will be cross-subsidising students who take longer to repay their loans.

With a 30% loan fee, the longer it takes for a student to repay their loan, the larger the effective subsidy. At the margin, this could encourage students into courses which have lower returns and away from more productive courses. It could also be viewed as less equitable than the CPI plus 3½% option.

Financial risks

Another potential issue is that students who still expect to repay their loans relatively quickly (such as part-time postgraduate students who may already have jobs and have already repaid a large portion of their HECS liability) face very high real interest rates under the 30% loan fee proposal. If these students are able to borrow more cheaply from banks or other sources, then those students who represent the greatest risks will disproportionately access the proposed new loans schemes. If this occurs, it is likely that the 30% loan fee will not cover the Commonwealth's financing costs.

Once a loan has been taken out, there is little incentive for students to repay their debts under the 30% loan fee proposal. While the real value of debts is maintained in purchasing power terms by indexing to the CPI, it does not cover the time value of money. Therefore, the 30% loan fee approach also requires discounts to encourage voluntary repayments. The need for these discounts is reduced under the CPI plus 3½% approach.

Possible disadvantages of the CPI plus 3½% approach

Indexing student loans to CPI plus 3½% could be criticised since it involves applying a real interest rate to outstanding debts. However, the 30% loan fee approach also involves charging students a real interest rate, except that the real interest rate applied depends on how long the student takes to repay their debt. In contrast, the CPI plus 3½% approach involves the same real interest rate for all students. For example, under the 30% loan fee option:

- a part-time postgraduate student who repays their debt in just 2 years would effectively be paying a real interest rate of more than 15% per annum; while
- a student who takes 30 years to repay their loan pays a real interest rate of closer to just 1% per annum.

The 30% loan fee has the benefit of being administratively simpler than the CPI plus 3½% loan option since FEE-HELP, E-HELP and OS-HELP loans could be combined into a single debt, along with HECS loans. However, while potentially significant, these costs would likely be significantly less than the other benefits associated with the CPI plus 3½% option.

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Impact on doubtful debts

The 30% loan fee option, like existing HECS debts, involves a 'hidden' subsidy due to the ongoing cost of Commonwealth borrowing. This cost is not included in the reported bad and doubtful ratio for the existing HECS scheme. Therefore, under the 30% loan fee option, the bad and doubtful debt ratio is expressed as the proportion of bad and doubtful (ignoring the Commonwealth's financing costs) divided by the total outstanding debt including the 30% loan fee.

The reported bad and doubtful debt ratio under the CPI plus 3½% option will be higher than under the 30% loan fee option. However, when the financial implications are looked at more broadly, the total cost to the Commonwealth could be lower under the CPI plus 3½% option. This reflects that the 'hidden' subsidy is made more explicit under this option.

Financial transparency

As noted above, there is a 'hidden' subsidy associated with the 30% loan fee option due to the ongoing financing cost to the Commonwealth. This cost would be explicitly recognised under the CPI plus 3½% option. Thus, while the reported cost of the loans (and the reported bad and doubtful debt ratio) could be higher under this option, the 'true cost' over time, in terms of the final impact on the budget bottom line, could be lower.

DEST response

Treasury suggests that a real rate of interest be applied to the new loans under the Higher Education Loan Programme (HELP) and that the 30 per cent loan fee be replaced by an interest rate of 3.5 per cent plus the CPI (or 6.5 per cent plus the CPI if the interest rate is to compensate the Commonwealth for doubtful debt).

DEST maintains its position that interest rates should not be applied to any Commonwealth provided student loan on the grounds that:

- No robust evidence is provided that the suggested interest rate of 3.5 per cent plus CPI will produce savings for the Commonwealth compared with the 30 per cent loan fee.
- Application of real interest rates undermines the implicit equity dimension that is fundamental to the design of student loan schemes. Using a loan fee means that debtors with longer loan periods receive a greater loan subsidy than debtors with shorter loan periods. Given the income-contingent nature of loan repayments, debtors experiencing longer loan periods tend to be those with lesser financial means than those with shorter loan periods. The progressiveness of these loans, using a loan fee, is a virtue of the loan scheme, rather than a problem that needs to be resolved through the application of an interest rate.
- The Australian Government Actuary (AGA) has advised that:
  - Repayment periods under a real interest regime are typically longer, and the risk of debtor death before debt finalisation is higher.
  - The aggregate effect of the interest rate option will be to increase the reported doubtful debt as a percentage of outstanding debt.
  - Debt creep would proceed much more rapidly under the real interest rate regime and would reach a much higher steady state level.

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  - Real interest rates could give rise to credible scenarios where a person's outstanding debt could increase in nominal terms over their lifetime, despite significant repayments being made.
- The Australian Taxation Office has advised that the real interest rate option would require:
  - The development of a significantly different and more complex system capability than is currently available, costing between $10 and $15 million.
  - The inappropriate application of interest to the debt whilst holding unaccounted credits on an unrelated account that should be applied to reduce that debt.
  - A significant redesign of the PAYG system and remittance processes, the costs of which are likely to be very significant and not reasonably determined. There would also be considerable public sensitivity associated with such changes.
- Real interest rates can lead to escalating debt accrual during periods of low repayment (such as time out of the workforce to meet family commitments, which would disproportionately impact on women).
- The interest rates suggested appear excessive. The proposed 3.5 per cent plus CPI would result in an interest rate of 7.1 per cent if applied in 2002. This is significantly higher than commercial home loan products, which include commercial profit margins. The prospect of a 6.5 per cent plus CPI (10.1 per cent) would make student loans more expensive than some commercially available personal loan products. Treasury's submission does not present options for the application of lower interest rates or an analysis of whether this would increase costs to the Commonwealth over the 30 per cent loan fee option. There also needs to be some analysis of whether debtors' minimum repayments would be sufficient to at least cover interest charges, and in the case that they are not, whether making minimum interest repayments would be reasonable given debtor salaries.
- Attempting to minimise subsidies within student loan products fails to acknowledge the considerable public benefits of higher education, which will be realised without any public investment for that group of students who repay their loans more quickly than the average loan period. With particular regard to FEE-HELP, it fails to recognise the benefits that are indirectly conferred to HECS students who receive their place by virtue of places freed by full-fee payers or the public benefits of increased higher education participation.
- It would be extremely difficult to find public support for the application of interest rates to the new loans because this initiative will be seen as a precursor to the introduction of interest rates for HECS.

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OPTION [3]: OLDER STUDENTS AND THE RISK TO BAD AND DOUBTFUL DEBTS

It is proposed that FEE-HELP loans would be limited to $50,000 for all Australians. However, there is a potential risk that FEE-HELP could be abused by older workers and retirees who could accumulate large income contingent debts in the knowledge that they are unlikely to ever have to repay their loans.

Lower borrowing limits for retirees and older workers will reduce the scope for abusing the income contingent nature of FEE-HELP. Lower limits can also be justified on the basis that older workers and retirees are likely to spend less time in the workforce after graduating and are therefore likely to generate a lower 'public benefit'. However, the growing importance of 'life-long learning' needs to be balanced against these factors.

Detail of the proposed approach

An option that balances these competing issues would be to phase down the FEE-HELP borrowing limit by $2,500 for each year that a person is aged over 50. This would mean that a 50 year old would still have access to the full $50,000 limit, a 55 year old could borrow $37,500, a 60 year old could borrow $25,000 and a 65 year old could borrow $12,500.

Older workers and retirees would still have access to HECS places based on merit, provided that they have not exhausted their learning entitlement.

Financial implications

Imposing limits at the proposed levels will have negligible financial implications in the short-term ,due to the small number of older people participating in higher education. However, this option would limit the financial risks associated with increased participation by older cohorts due to demographic factors. In this context, introducing limits on the amount that older workers and retirees can borrow under FEE-HELP is likely to be easier now, when FEE-HELP is being introduced, than it will be once the scheme becomes entrenched and demographic pressures become significant.

Currently, there are very few older participants in higher education. The number of older workers and retirees participating in higher education could also reflect the limited number of Commonwealth subsidised places available and strong competition from younger applicants. However, demand for higher education by older workers and retirees is likely to increase as the population ages, life expectancy improves and as the number of full-fee places increases in response to the introduction of FEE-HELP. FEE-HELP is likely to be particularly attractive to older workers since they are less likely to have to repay any or all of their loans.

Administration

The administrative burden associated with this option are not expected to be significant. The proposed Higher Educations Information Management System (HEIMS) will need to check applications for FEE-HELP loans in any event to ensure that they do not exceed the $50,000 cap. Date of birth can be collected at the same time that applicants provide proof of Australian Citizenship or entry under the Humanitarian Programme.

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DEST response

Treasury suggests that the borrowing limits on FEE-HELP loans should be progressively decreased for students over the age of 50 years.

DEST maintains its position that FEE-HELP loans should not involve older age restrictions on the grounds that:

- It raises significant concerns about unjustifiable age discrimination and may contravene a number of Commonwealth Acts in relation to age discrimination.
- Overall Commonwealth savings from this option are likely to be negligible given that:
  - In 2001, only 3.1 per cent of all non-overseas students were aged 50 years or over, with 55 per cent of these undertaking postgraduate study.
  - Debtors who completed their study aged 50 or more hold around 1.6% of the outstanding HECS debt. The average HECS debt incurred by this group is less than $5,000.
- The Australian Government Actuary has concluded that this option would have no measurable impact on the level of doubtful debt.
- It would further increase the complexity of the scheme and its administration, and therefore increase costs.
- It is inconsistent with the encouragement of life long learning.
- It would limit retraining options for older workers compared to those of younger people.
- Responding to speculation about system abuses is premature given the Commonwealth's ability and intent to monitor the distribution and repayment of loans. Where problems arise, programme amendments will be specifically targeted to solving actual problems.
- In light of the above points, this measure would be extremely difficult to publicly defend.

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ATTACHMENT H

FUNDING CONDITIONS FOR THE REFORM PACKAGE – by type of institution and element

Table H1 – Public Higher Education Institutions

Element of package	Pre-requisites for institution to be considered for funding under initiative.
All elements	• Institution must be listed on the Australian Qualifications Framework. • Admission procedures must be open, fair, transparent and based on considerations of merit. • Compulsory student unionism will be prohibited. • Participate in HEIMS, including assign each student a CHESSN number and provide DEST, ATO and general public with required information sets. • Agree to be audited by the Australian Universities Quality Agency. • Ensure availability of appropriate student grievance and appear procedures. • Adherence to the National Protocols on Governance and Accountability
Commonwealth Grant Scheme	• Institutions will no longer be funded simply for 'operating purposes'. • Institutions will only be paid for the places they deliver and according to the mix and location of places they deliver. This alone will determine the level of an institution's CGS. • The Commonwealth will have the capacity to determine the mix of places it supports. It will be able to move places and funds between institutions to achieve its objectives in this area. • Institutions will be required to set course fees. (Many institutions currently refuse to have domestic fee paying students). • Institutions will no longer be able to take on significant over-enrolments and claim they are under-funded by the Commonwealth. There will be significant enforceable penalties for over-enrolments in excess of 2 per cent. These penalties will effectively require an institution which wants students beyond its funded load to charge them full fees. • Institutions will be required to abide by the maximum student contribution levels set by the Commonwealth for Commonwealth supported students. • Institutions will be prevented from using Commonwealth subsidies to meet the specific training needs of employers. • Sign a formal agreement with the Commonwealth which includes sanctions for non-compliance. • Institutions will be required to phase out marginally funded

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	places at an agreed rate.
Student Financing	• Manage the Commonwealth Scholarships Programme. • Manage the remission process for all student loans • Implement and manage FEE-HELP, E-HELP and OS-HELP.
Learning and Teaching Performance Fund	Minimum requirements for eligibility under the (performance-based) Fund will include: • Possess a current institutional teaching and learning plan or strategy. • Provide systematic support for professional development in teaching and learning for sessional and full-time academic staff. • Instigate probation and promotion practices and policies that include effectiveness as a teacher as a criterion for those academics with a teaching load. • Show evidence of systematic student evaluation of teaching and subjects which informs probation and promotion decisions for academic positions where the academic has a teaching load or expectation of a teaching load.
Research Performance Fund	• Provide a Research and Research Training Management Report
Collaboration and Innovation Fund	• Engage in new and greater collaborations with business/industry, professional associations and regional communities. • Compete in merit based selection for limited funds.
Workplace Productivity Programme	Benchmarks which must be met before salary supplementation under the Fund can occur are: • Establish a mechanism for genuine performance-pay which ensures that the distribution of rewards reflect measurable performance outcomes rather than salary supplementation for the entire workforce. • Report to the Commonwealth on proposed workplace reform initiatives and progress in implementing workplace reform.
Equity Initiatives	Minimum requirements for eligibility for (performance-based) Indigenous Support Fund will be: • Develop an institutional Indigenous Employment Strategy. • Provide evidence of participation of Indigenous people in the decision-making processes of the institution (which may include existence of an Advisory Committee on Indigenous issues). • Show evidence of the implementation of enabling strategies for improving participation and completions for Indigenous students. • Provide a report on their expenditure of ISF funding and indicate the amount of ISF funding provided to an Indigenous Support Centre.

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Equity Initiatives (continued)	Minimum requirements for eligibility for (performance-based) HEEP will be: • Run outreach programmes to attract equity group students to higher education. • Run specialised support for equity group members to assist their progression through higher education. • Establish an institutional equity scholarship programme to complement the Commonwealth Scholarships Programme.

Table H2 – Private Higher Education Institutions

All elements	• Participate in HEIMS as directed by DEST.

Commonwealth Grant Scheme	• Meet Commonwealth quality and accountability measures if they wish to receive Commonwealth funding for places in National Priority areas, including the following:
	  • be a higher education institution listed as self-accrediting on the Australian Qualifications Framework Register, or non-self-accrediting institution listed on the Australian Qualifications Framework Register of Bodies with Authority to Issue Qualifications;
	  • be subject to, or agree to be subject to, audit by the Australian Universities Quality Agency every five years;
	  • be a member of a Tuition Assurance Scheme (TAS) that guarantees the education of students should an organisation be unable to provide a course or a refund to its students; and
	  • be able to meet the prescribed DEST accountability requirements.
	
	Eligible undergraduate and postgraduate coursework award programmes at non-self accrediting higher education institutions must:
	  • be accredited by a State or Territory accreditation agency under the National Protocol for the Accreditation of Higher Education Courses to be offered by non-self-accrediting providers; and
	  • be listed as higher education award programmes under the Australian Qualification Framework.

Student Financing	• Meet Commonwealth quality and accountability measures stated above if they want their students to be eligible for FEE-HELP loans.

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ATTACHMENT I

HIGHER EDUCATION REFORM IMPLEMENTATION SCHEDULE

The reform package has been designed to enable the implementation of key initiatives from the beginning of 2005 although some enabling initiatives are required to commence as early as 2003. A number of key initiatives including the Learning and Teaching Performance fund, increase in Research Infrastructure funding and the Workplace Productivity programme will not be implemented until 2006. The need to phase in the costs of the reform package, to pass enabling legislation and to consult the higher education sector regarding implementation have contributed to the need for a later starting date for some initiatives.

The Reform package has been presented in detail throughout this submission. The package will achieve reform in the sector and ensures the sustainability and quality of Australia's higher education sector over the long term and the continued viability of all of our public higher education institutions. The package is likely to be supported by all of the major stakeholders in the sector which will be necessary to ensure the passage of new legislation through the Senate.

The table below shows the major elements of the Reform package. An 'x' indicates the implementation timing for each initiative. 'HEIP' indicates that initial funding will be provided through the Higher Education Innovation Programme. 'AUTC' indicates that initial funding will be provided through the Australian University Teaching Committee.

Reform Package - Implementation Schedule

Table I1 – Implementation Schedule

	2003	2004	2005	2006
Commonwealth Grant Scheme Initiatives				
Regional loading		x		
Institutions funded according to discipline mix			x	
Increasing Commonwealth grant funding by 7.5 per cent			x	
Transition Fund			x	
Conversion of marginal places			x	
Introduction of funding agreements			x	
New arrangements for industry supported places			x	
Institutions to set own course fees			x	
Provision of Growth Places from 2007				
Governance and Workplace Relations Initiatives				
Development and implementation of a set of National Protocols on Governance	x			
Consequential amendments to the *Australian National University Act 1991* and the *Maritime College Act 1978*	x			
Association of Governing Bodies of Australian Universities (AGBAU) professional development	$0.2m HEIP			
Amendment to the *Workplace Relations Act 1996*	x			
Workplace Productivity Programme				x

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	2003	2004	2005	2006
National Priority Initiatives				
Increasing the Commonwealth grant for nursing places		x		
Additional nursing places in public institutions		x		
Decreasing student contributions in the nursing discipline			x	
Increasing the Commonwealth grant for teaching places			x	
Decreasing student contributions in the teaching discipline			x	
1400 places for public and private institutions in areas of national priority			x	
Student Financing Initiatives				
Increasing the maximum number of fee paying students in Commonwealth funded courses from 25 to 50 per cent			x	
Remove restrictions on postgraduate fee payers			x	
Partial deregulation of medical places			x	
Amended HECS arrangements			x	
Student Learning Entitlement			x	
Variable student contributions			x	
E-HELP			x	
OS-HELP			x	
F-HELP			x	
Scholarship Initiatives				
Commonwealth Education Costs Scholarships (CECS)		x		
Commonwealth Accommodation Scholarships (CAS)		x		
Consequential amendment to the *Social Security Act 1991*		x		
Indigenous staff scholarships		x		
Growth in Australian Postgraduate Awards (APA)				x
Equity Initiatives				
Indigenous Higher Education Advisory Council (IHEAC)	$.05m HEIP			
Indigenous Support Funding (ISF) increased			x	
Higher Education Equity Programme (HEEP) modified and increased			x	
Increased funding for Disabilities programme			x	
Teaching Initiatives				
National Institute for Learning and Teaching in Higher Education	$0.4m AUTC	$1m HEIP	$1m HEIP	x
Revised Australian Awards for University Teaching				x
Learning and Teaching Performance Fund				x
Research Initiatives				
Knowledge and Innovation evaluation	$0.1m HEIP			

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	2003	2004	2005	2006
Research Infrastructure Taskforce	$0.1m HEIP			
Taskforce to examine closer collaboration between universities and major publicly funded research agencies	x			
ARC to fund Chief Investigator Salaries		x		
Consequential amendments to the *ARC Act 2001*		x		
Amalgamation of the Australian Institute of Marine Science with James Cook University		x		
Research Performance Fund				x
Research Training Scheme (RTS) growth				x
Research Training Scheme (RTS) supplement for professional development				x
Cooperative Centres for Applied Scholarship in Humanities, Arts and Social Sciences Centre for Humanities				x
Continuation of Backing Australia's Ability Initiatives				
Systemic Infrastructure Initiative funding for 2007				
Research Infrastructure Block Grants Scheme funding for 2007				
Collaboration, Innovation and Infrastructure Initiatives				
Council for the Humanities, Arts and Social Sciences	$0.2m HEIP			
Ministerial Council for Business-Industry-University Collaboration	$0.1m HEIP	$0.1m HEIP	x	
Collaboration and Innovation Fund			x	
Capital Development Pool increase				x
Quality Initiatives				
Continued funding for Graduate Destination Survey & Course Experience Questionnaire	x			
Increase funding for Australian Universities Quality Agency (AUQA)			x	
Graduate Skills Assessment (GSA) – enhance and promote			x	
Other Initiatives				
Request the Treasurer to investigate taxation regimes in Australia	x			
Marcus Oldham buyout		x		
Higher Education Information Management System (HEIMS)		x		
Additional costs for promotion		x		
Implementation costs for public institutions & DEST		x		

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