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Copy No. 057

JH03/0029/CAB  
18 February 2003

## CABINET MINUTE

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**Submission JH03/0029 HIGHER EDUCATION REFORMS**

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1. The Cabinet noted a presentation by the Minister for Education, Science and Training ('the Minister') on the case for higher education reform.
2. The Cabinet also noted the findings of the Review of Higher Education (paragraphs 3 to 8 of the Submission refer).
3. The Cabinet agreed, subject to paragraphs 5 and 10 below, to the following four principles and related strategies and outcomes to underpin reforms to the Australian higher education sector ('the sector'):
  - (a) long-term sustainability and viability of all existing public institutions, through:
    - (i) enhancement of the capacity for the sector to generate non-government revenue, including through partial deregulation of student fees and numbers of full-fee paying students (paragraph 12 of the Submission refers);
    - (ii) creation of a coherent and consistent higher education policy framework (paragraphs 12 to 16 of the Submission refer);
    - (iii) additional support for regional campuses (paragraph 14 of the Submission refers);
    - (iv) ensuring that course provision addresses labour market needs in priority areas such as nursing and teaching (paragraph 15 of the Submission refers);



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- (v) ensuring programme growth takes population into account (paragraphs 16, 18 and 26 of the Submission refer); and
- (vi) improving governance arrangements;
- (b) greater diversity and specialisation within the sector, through performance-based incentives for institutions to differentiate their missions, for example, the Collaboration and Innovation Fund, the Learning and Teaching Performance Fund and the Research Performance Fund (paragraphs 24 to 35 of the Submission refer);
- (c) improved accessibility to higher education, through:
  - (i) providing incentives for students to undertake courses in national priority areas (paragraph 15 of the Submission refers);
  - (ii) ensuring that higher education can be undertaken at no cost at the point of entry for all students in public and eligible private institutions including through expansion of income-contingent loans to full-fee paying students and a Learning Entitlement for Commonwealth supported places (paragraphs 19 to 21 of the Submission refer);
  - (iii) offsetting potential increased student contributions with increased repayment thresholds in student loan schemes (paragraph 19 of the Submission refers); and
  - (iv) improving participation and outcomes for disadvantaged groups (paragraphs 18 and 35 of the Submission refer); and
- (d) improved quality and excellence in the sector, particularly improved quality of undergraduate learning and improved research outcomes, through:
  - (i) ensuring that all Commonwealth supported places are funded at a level that sustains quality learning outcomes (paragraphs 12 and 16 of the Submission refer);
  - (ii) improving the quality of teaching and learning outcomes (paragraph 25 of the Submission refers);



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(iii) improving the quality and quantum of research outcomes (paragraphs 26 to 30 of the Submission refer), including the continuation of funding, under the Backing Australia's Ability initiative, for the Systemic Infrastructure Initiative and Research Infrastructure Block Grants Scheme for the 2006-07 year (paragraph 30 of the Submission refers); and

(iv) creating incentives to promote collaboration between institutions and business/industry and local communities (paragraph 31 of the Submission refers).

4. The Cabinet further noted the strategies in Attachment B to the Submission which aim to achieve the outcomes set out in paragraph 3 above through their collective impact as an integrated and balanced reform package.

5. The Cabinet also agreed that:

(a) meaningful higher education reform would not be possible without increased Commonwealth funding to the sector;

(b) significant reform of governance and workplace relations arrangements in universities is an essential prerequisite to funding of a higher education reform package ('the package'); -

(c) the Minister's submission to the Expenditure Review Committee (ERC) on the package:

(i) strengthen the strategies to reform governance and workplace relations arrangements included in Attachment B to the Submission; and

(ii) make introduction of the package conditional on these stronger reforms;

(d) the Department of the 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; and



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## CABINET - IN - CONFIDENCE

JH03/0029 057 Rodney Thompson/DPMC/CABNET - 20/02/2003 08:37:12 3 of 6

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

- (e) the final decision on the package be made by Cabinet, taking account of any recommendations from ERC and the Government's overall budget priorities.

6. The Cabinet further agreed that:

- (a) Humanitarian Programme entrants continue to have access to income-contingent loans before they obtain Australian citizenship;
- (b) should a five year learning entitlement for Commonwealth supported places be included in the package, it be explicitly noted that this entitlement would be extended where a student is undertaking a degree for which the standard enrolment period is beyond five years (for example, medical or double degrees with honours);
- (c) the Minister work with the Minister for Health and Ageing prior to ERC's consideration of the package to investigate the implications of partially deregulating the number of medical student places and to consider any appropriate restrictions on both Commonwealth supported and full-fee paying places in medicine; and
- (d) any proposal in the package to amalgamate the Australian Institute of Marine Science (AIMS) with James Cook University include measures to ensure that the reputation of AIMS for world class research is maintained and that it retains a clear identity as a research body.

7. The Cabinet further noted the Minister's advice that:

- (a) consultation with the sector indicated the capacity of universities to increase student contributions would vary and price competition would be sufficient to ensure student contributions would not increase across the board by the full 30 per cent; and
- (b) the strategies in the package to ensure programme growth takes population into account (paragraph 3(a)(v) above refers) would enable re-allocation of places to reduce current disparities in the allocation of university places between and within States and Territories.



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8. The Cabinet further noted that implementation of the Minister's preferred package, as set out in Attachment B to the Submission, would require that:

- (a) new legislation be introduced into the Parliament seeking to replace the *Higher Education Funding Act 1998* and to make consequential amendments to other Acts within the portfolio (including those relating to the Australian National University and the Australian Research Council), to achieve the outcomes referred to in paragraph 3 above;
- (b) legislation be developed, in conjunction with the Minister for Employment and Workplace Relations, for introduction to Parliament seeking to amend 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 affect particularly vulnerable third parties (paragraph 33 of the Submission refers); and
- (c) legislation be developed, in conjunction with the Minister for Family and Community Services, for introduction to Parliament seeking to amend the *Social Security Act 1991* to exclude all Commonwealth Learning Scholarships from the social security income test (paragraph 18 of the Submission refers).

9. The Cabinet further noted the Minister's intention to write to the Treasurer to suggest he investigate taxation regimes in Australia and comparable overseas countries focusing on incentives for industry to invest in higher education courses (paragraph 37 of the Submission refers).

10. The Cabinet further noted that the following financial implications of the Minister's preferred package, as set out in Attachment B to the Submission, involving additional resourcing for the Department of Education, Science and Training, would be referred to the ERC for consideration in the 2003-04 Budget context:



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## CABINET - IN - CONFIDENCE

JH03/0029 057 Rodney Thompson/DPMC/CABNET - 20/02/2003 08:37:12 5 of 6

National Archives of Australia

NAA: A14370, JH2003/29



# CABINET - IN - CONFIDENCE

	Resourcing (\$ million)	Impact on fiscal balance (\$ million)	Impact on underlying cash balance (\$ million)
2003-04	+82.7	-82.7	-41.4
2004-05	+435.0	-245.6	-191.1
2005-06	+745.6	-489.8	-464.5
2006-07	+1,216.8	-872.1	-842.2
<b>Total</b>	<b>+2,480.1</b>	<b>-1,690.2</b>	<b>-1,539.1</b>

*original authorised by*

Secretary to Cabinet

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# CABINET - IN - CONFIDENCE

JH03/0029 057 Rodney Thompson/DPMC/CABNET - 20/02/2003 08:37:12 6 of 6

National Archives of Australia

NAA: A14370, JH2003/29

**TITLE: HIGHER EDUCATION REFORMS**

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

**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, Finance, AGs, DITR, DoTARS, DEWR, DIMIA, DHA, FaCS, ATO. There is not agreement. See Attachment A.

**FINANCIAL IMPLICATIONS:** (Figures have been agreed with Department of Finance and Administration)

	Fiscal balance (\$m)	Underlying cash balance (\$m)	Operating balance / Net assets (\$m)
2002/03	0	0	0
2003/04	-82.7	-41.4	-82.7
2004/05	-245.6	-191.1	-386.1
2005/06	-489.8	-464.5	-624.7
2006/07	-872.1	-842.2	-1074.6

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### RECOMMENDATIONS

1. I recommend Cabinet note the findings of the review of higher education (paragraphs 3 to 8 refer).
2. I recommend Cabinet agree, subject to recommendation 6 below, to the following four principles and the related outcomes which will underpin reforms to the Australian higher education sector:
  - (a) long-term sustainability and viability of all existing public institutions, through:
    - (i) enhancement of the capacity for the higher education sector to generate non-government revenue, including through partial deregulation of student fees and numbers of full-fee paying students (paragraph 12 refers);
    - (ii) creation of a coherent and consistent higher education policy framework (paragraphs 12 to 16 refer);
    - (iii) additional support for regional campuses (paragraph 14);
    - (iv) ensuring that course provision addresses labour market needs in priority areas such as nursing and teaching (paragraph 15 refers);
    - (v) ensuring programme growth takes into account with population (paragraphs 16, 18 and 26 refer); and
    - (vi) improving governance arrangements, initially through negotiations with the States and Territories, and flexibility of institutions (paragraph 32 and 33 refer);
  - (b) greater diversity and specialisation within the higher education sector, through performance-based incentives for institutions to differentiate their missions eg. Collaboration and Innovation Fund, Learning and Teaching Performance Fund, Research Performance Fund (paragraph 24 to 35 refer);
  - (c) improved accessibility to higher education, through:
    - (i) providing incentives for students to undertake courses in national priority areas (paragraph 15 refers);
    - (ii) ensuring that higher education can be undertaken at no cost at the point of entry for all students in public and eligible private institutions including through expansion of income-contingent loans to full-fee paying students and a Learning Entitlement for Commonwealth supported places (paragraphs 19 to 21 refer);

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 2 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

- (iii) offsetting potential increased student contributions with increased repayment thresholds in student loan schemes (paragraph 19 refers); and
- (iv) improving participation and outcomes for disadvantaged groups (paragraphs 18 and 35 refer); and
- (d) improved quality and excellence in the sector, particularly improved quality of undergraduate learning and improved research outcomes, through:
  - (i) ensuring that all Commonwealth supported places are funded at a level that sustains quality learning outcomes (paragraphs 12 and 16 refer);
  - (ii) improving the quality of teaching and learning outcomes (paragraph 25 refers);
  - (iii) improving the quality and quantum of research outcomes (paragraph 26 to 30 refer), including the continuation of funding, under the Backing Australia's Ability initiative, for the Systemic Infrastructure Initiative and Research Infrastructure Block Grants Scheme for the 2006/2007 year (paragraph 30 refers); and
  - (iv) creating incentives to promote collaboration between institutions and business/industry and local communities (paragraph 31 refers).
- 3. I recommend that Cabinet note the strategies in Attachment B (p.2), which achieve the outcomes set out above through their collective impact as an integrated and balanced reform package.
- 4. I recommend Cabinet agree, subject to Expenditure Review Committee (ERC) consideration of the financial implications noted in recommendation 6 below, that:
  - (a) new legislation be introduced into the Parliament replacing the *Higher Education Funding Act 1998* and consequential amendments be made to other Acts within the portfolio (Australian National University, Australian Research Council), to implement the measures referred to in recommendation 2 above;
  - (b) an amendment be made, in conjunction with the Minister for Employment and Workplace Relations, 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 affect particularly vulnerable third parties (paragraph 33 refers); and

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JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 3 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

(c) an amendment be made, in conjunction with the Minister for Family and Community Services to the *Social Security Act 1991* to exclude all Commonwealth Learning Scholarships from the social security income test (paragraph 18 refers).

5. I recommend that Cabinet note my intention to write to the Treasurer to suggest he investigate taxation regimes in Australia and comparable overseas countries focussing on incentives for industry to invest in higher education courses (paragraph 37 refers).
6. I recommend Cabinet note that the following financial implications associated with the measures referred to in recommendation 2 above will be referred to the ERC for consideration in the 2003/04 Budget context:

(a) Additional resourcing for the Department of Education, Science and Training for the Higher Education Reform package for a total cost of \$2,480.1 million over four years involving the following financial implications:

### Preferred Package (Option 1) Total Costing

	Resourcing (expenses) \$m	Impact on fiscal balance \$m	Impact on underlying cash balance \$m
2003-04	+ 82.7	- 82.7	- 41.4
2004-05	+ 435.0	- 245.6	- 191.1
2005-06	+ 745.6	- 489.8	- 464.5
2006-07	+ 1216.8	- 872.1	- 842.2
Total	+ 2480.1	- 1690.2	- 1539.1

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JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 4 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

### 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) shows that 52 per cent of expenditure on tertiary educational 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 and internationally competitive higher education sector. Funding restraints, coupled with

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JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 5 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

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 (Attachment I, p.73). 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;
  - (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;

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JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 6 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

(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 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

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## CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 7 of 38



## CABINET - IN - CONFIDENCE

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.

### REFORM PACKAGE

#### **Commonwealth Grant Scheme** (Attachment C, p.7)

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 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 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 and for medical places. 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. A transition fund will be established for 2005 to ensure that in the first year no

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JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 8 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

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.

13. Formal contractual-like arrangements under the new legislation will be established between institutions and the Commonwealth, incorporating performance measures and serious consequences for non-compliance. This relationship will be the foundation of the new CGS and will underpin the desired move to strategic specialisation and diversity in the sector.

### **Regional Universities** (Attachment C, p.10)

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** (Attachment C, p.11)

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 \$30.1 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

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JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 9 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

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 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 (Cabinet 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 C, p.10)

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 'contract' 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.

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JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 10 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

### **Student Financing** (Attachment D, p.17)

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 a set course that is longer than five years e.g. medicine or double degrees with honours). 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** (Attachment D, p.18)

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 Costs Scholarships (CACS). Initially in 2005, there will be 5,020 CECS and 3,012 CACS awarded, with the annual number of new scholarships awarded growing in line with population growth. Both CECS and CACS 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. CACS 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. CAC and CEC 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 forty over four years.

### **Student Loans** (Attachment D, p.20)

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 (F-HELP);

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 11 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

(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 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). 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.

20. The introduction of F-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, 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 F-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 F-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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## CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 12 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

educational costs. As was foreshadowed in Cabinet Submission JH02/0387 dated 1 November 2002, if Senior Ministers were to decide to repeal the Student Financial Supplement Scheme (SFSS) prior to 2005, I propose 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 repayments consistent with the current HECS arrangements.

**Higher Education Information Management System (HEIMS)** ([Attachment D](#), p.24)

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 students who apply for, or accept, 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 government policy. 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 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

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## CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 13 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

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** (Attachment E, p. 29)

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 E, p.29)

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;

(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

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 14 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

(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** (Attachment E, p.31)

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 \$114.1 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 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 commercialisation and application of research from Publicly Funded Research Agencies (PRAs) and to identify and exploit potential synergies

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## CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 15 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

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 with James Cook University with the aim of creating a world class centre for marine biology following consultation with the Queensland Government.

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. 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 \$176.9 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** (Attachment E, p.38)

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 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. In addition, a Ministerial

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 16 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

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.

### **Governance and Workplace Relations** (Attachment E, p.36)

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. However, I will initially seek to amend the legislation of the 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. In addition, I will work with my Ministerial colleagues in the States and Territories to create a set of National Protocols on Governance and Accountability. If I cannot secure the support of my State and Territory counterparts, I will establish a set of Commonwealth Protocols for Governance and Accountability in consultation with the sector, which has voiced its support for this initiative. Adherence to the Protocols will be an important element of the new 'contractual' relationship between an institution and the Commonwealth. I also propose that an Association of Governing Bodies of Australian Universities be established to promote professional development opportunities for members of university councils.

33. Workplace flexibility and productivity is 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 Workplace Productivity Programme that will provide funds for salary augmentation only to those universities that achieve prescribed benchmarks in governance arrangements and establish genuine performance-pay schemes in the context of an institution's workplace reform initiatives. The Programme would require institutions to report on their proposed workplace reform initiatives and progress in implementing workplace reform. In this way, the 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

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 17 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

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** (Attachment E, p.40)

34. 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 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** (Attachment E, p.33)

35. 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 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

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JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 18 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

funding for the Higher Education Equity Programme and the Students with Disabilities Programme should also 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 E, p.41)

36. Submissions for capital funding are currently four times the funding available. I propose to 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**

37. 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 (Attachment E, p.43).

38. 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 unnecessary red tape and duplication. I will also ensure that the new higher education and Australian Research Council (ARC) legislation minimise red tape.

39. 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.

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JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 19 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

40. The Senior Ministers' Review (SMR) (Cabinet 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 G, p.52). I do not support such a proposal.

41. The SMR requested that this submission identify the long term financial implications of each option. This can be found at Attachment H (p.55).

42. 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.

### OPTIONS

43. The SMR also requested that I bring forward three options:

- a) preferred package;
- b) \$25m in 2003/2004, \$200m in 2004/2005, \$300m in 2005/2006, and \$400m 2006/2007; and
- c) \$150m in 2004/2005 and ongoing.

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JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 20 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

44. My preferred reform package (Option 1) achieves all of the principles outlined in this submission and is presented to enable the implementation of some elements from the beginning of 2004 but with most elements commencing from 2005. Some elements including the Learning and Teaching Performance Fund, the increase in research infrastructure funding and the Workplace Productivity Programme will not be implemented until 2006.

45. Option 2 would involve delays and modification to key initiatives and the deletion of a number of crucial elements including the increased Commonwealth Grant Scheme and the funding necessary for the Systemic Infrastructure Initiative and the Research Infrastructure Block Grants Scheme. It is not possible within this funding envelope to effectively address long term sustainability and reform. Without increased support for the increased cost of course delivery, many universities will run the risk of future financial collapse. Moreover, without some additional Commonwealth funding, it will be virtually impossible to gain Senate support for the package.

46. Option 3 is not a viable proposition for the sustainable reform of the higher education sector. All that can be covered within this small funding envelope is the regional loading, and an increase to the Commonwealth Grant Scheme (by a reduced amount). This proposal would be rejected outright by stakeholders, and would be seen as mere deregulation of higher education without any consideration of the long term sustainability and needed diversity of the sector, and the viability of particular institutions. This option will not produce any substantial behavioural change in the way institutions operate. As presented here, the cost of both SMR options (Options 2 and 3) slightly exceed the funding limits in some years. My department interpreted the funding envelopes to be in constant dollars. The Departments of Finance and Administration and Prime Minister and Cabinet have subsequently clarified that in order to meet the conditions set by Senior Ministers, the upper limit of these two options should be expressed in out-turn dollars. This would mean that under Option 3 funding would decline over time in real terms. While it would be a significant political problem if Option 3 were chosen, I will adjust Options 2 and 3 to come within the strict limits set by SMR for my Expenditure Review Committee (ERC) submission if Cabinet decides that these Options should be considered by ERC. The implementation schedule under Options 1, 2 and 3 is presented in Attachment F (p.46).

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JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 21 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

### Impact on resourcing, fiscal balance and underlying cash of implementation options

	Resourcing (expenses) \$m	Impact on fiscal balance \$m	Impact on underlying cash balance \$m
<b>Option 1</b>			
2003-04	+ 82.7	- 82.7	- 41.4
2004-05	+ 435.0	- 245.6	- 191.1
2005-06	+ 745.6	- 489.8	- 464.5
2006-07	+ 1216.8	- 872.1	- 842.2
Total	+ 2480.1	- 1690.2	- 1539.1
<b>Option 2</b>			
2003-04	+ 48.7	- 48.7	- 24.3
2004-05	+ 336.6	- 147.2	- 124.8
2005-06	+ 509.5	- 253.8	- 297.3
2006-07	+ 674.5	- 329.8	- 453.0
Total	+1569.3	- 779.4	- 899.4
<b>Option 3</b>			
2003-04	+ 20.3	- 20.3	- 10.2
2004-05	+ 290.0	- 100.6	- 87.4
2005-06	+ 284.9	- 29.1	- 161.7
2006-07	+ 330.6	+ 14.1	- 168.7
Total	+ 925.8	- 135.9	- 427.9

12 February 2003

Brendan Nelson

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JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 22 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## 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 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 notes that introduction of the package requires legislation. PM&C agrees that to be effective the package needs to include measures that ensure there is sufficient support from universities and business leadership.

The partial deregulation of fees underpinned by broader access to government loans should provide opportunities for universities to attract increased resources and increase competitive pressures in the sector. However, there needs to be much stronger evidence provided that the measures in the package will deliver significant cultural and behavioural change, particularly in the areas of workplace reform and governance (noting that the latter is largely a matter for the States). Additional options for achieving these objectives should be provided for consideration by the Expenditure Review Committee (ERC) .

PM&C is of the view that the package could be refined and its aims achieved at a lower cost, and that further work to achieve this should be undertaken prior to ERC consideration. To guide the development of an amended package, PM&C makes the following points:

- a) national priorities (recommendation 2(a)(iv)): the proposed reduction in student contributions for teachers and nurses may not be necessary, given the current excess demand for such places;
- b) overseas study (recommendation 2(c)(ii)): OS-HELP loans do not appear integral to the package;
- c) improving outcomes for disadvantaged groups (recommendation 2(c)(iv), paragraph 35): PM&C notes that existing mechanisms to improve the participation and outcomes of disadvantaged groups, particularly Indigenous Australians, appear to have had little impact and is concerned that the proposals largely appear to involve 'more of the same';
- d) research (recommendation 2(d)(iii)): PM&C notes the overall approach to terminating BAA programmes agreed by Senior Ministers and considers that the Minister should bring

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## CABINET - IN - CONFIDENCE

### ATTACHMENT A

forward for consideration only the minimum funding in 2006-07 required for programmes to retain their integrity in 2003-04; and

e) Social Security Act 1991 (recommendation 4(c)): PM&C notes that changing the Act to exclude the proposed scholarships from the social security income test could create an inconsistency with the treatment of other scholarships provided to tertiary students.

To further assist ERC in its consideration of the three packages PM&C considers that the submission should include:

- a) an assessment of the likely financial impact of the package on a range of universities and students;
- b) an assessment of the impact of the package on the sector including the balance between funding contributions by the Commonwealth and private sources;
- c) information about the extent to which the existing HECS rates and repayment threshold discourage participation in higher education among disadvantaged groups and how the proposed measures, including the change to the HECS repayment threshold, will address this issue; and
- e) details of the level of debt that will be incurred by the Commonwealth under the proposed new student loan arrangements, as well as the likely default levels for both HECS and other HELP loans.

#### Treasury

Treasury supports the broad direction of the Minister's proposals to reform higher education policy. Given strong community support for change, there is a valuable opportunity for the Government to implement carefully designed reforms to deliver much needed structural improvements in the sector.

The core proposals (limited deregulation of course fees and income-contingent loans for all higher education students) will create the basis for a more equitable, efficient, diverse and responsive higher education system. Treasury is concerned, however, that many of the other proposals may not be cost-effective as currently proposed. Moreover, the reforms will result in lacklustre outcomes unless governance, regulation and management issues are addressed.

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 24 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## RECOMMENDATION 2

Treasury supports the four principles for higher education of financial sustainability; increased diversity and specialisation; improved accessibility and improved quality. Treasury supports the majority of recommendation 2. However, Treasury opposes recommendation 2(c)(i) and 2(c)(iii) and does not support recommendation 2(b) or 2(d)(iii) in their current form.

- On 2(b), it is not clear that the proposed Collaboration and Innovation Fund, Learning and Teaching Performance Fund and Research Performance Fund are the most effective means of encouraging diversity and specialisation in these areas. Lower cost mechanisms for achieving these policy outcomes should be considered.
- On 2(c)(i), incentives to encourage more students to apply for teaching and nursing places will merely exacerbate existing unmet demand for places in these courses and will do nothing to address the shortages of workers willing to enter or remain in these professions. Teachers and nurses are not leaving their professions because of concerns about student fees.
- On 2(c)(iii), the government reduced HECS repayment thresholds in 1996 to slow the growth in the cost of student loan schemes and to put them on a better financial footing. Increasing the thresholds will reverse this reform, increase the Commonwealth's borrowing costs and increase the proportion of bad and doubtful debts.
- On 2(d)(iii), Senior Ministers asked the Minister to bring forward to ERC 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). This does not require that funding for the Systemic Infrastructure Initiative and Research Infrastructure Block Grants Scheme be continued at this stage.

## RECOMMENDATION 3 (AND ERC PROCESS)

Noting that the Minister will bring forward two less expensive options for consideration by ERC, Treasury supports recommendation 3. Treasury considers that ERC should have maximum flexibility to consider adjustments to the packages in light of information contained in the ERC submission and broader budgetary pressures and priorities. ERC will need to carefully consider the appropriate mix of additional funding between increased general subsidies, the conversion of marginally funded places, increased places and targeted funding.

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 25 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

### ATTACHMENT A

The ERC submission will need to provide adequate detail for ERC to make informed decisions about the measures in each of the proposed packages. This should include an explanation of the policy objectives of each element, consideration of the effectiveness of existing programs directed at achieving these objectives and provide a full explanation of the financial implications for the Commonwealth. Proper consultation with central and other agencies will be essential.

#### RECOMMENDATION 4

Treasury supports recommendation 4(a), but opposes recommendations 4(b) and 4(c).

- On 4(b), the proposed amendment to the Workplace Relations Act 1996 (WR Act) would be a significant change, strengthening the power of the Australian Industrial Relations Commission. Treasury considers that such a change warrants more detailed consideration than it receives in the current submission and should be the subject of a separate Cabinet Submission prepared jointly by the Minister and the Minister for Employment and Workplace Relations. Treasury notes that the proposed change to the WR Act may appear confrontationalist and therefore risks damaging the current coalescence of broad ranging support (paragraph 4) needed to achieve the other reforms contained in the packages.

Appropriate governance and management frameworks are more likely to lead to genuine workplace reform than the proposed amendment to the WR Act.

- On 4(c), scholarships currently count towards social security income tests. Exempting Commonwealth Learning Scholarships will undermine this principle and would create pressures for other scholarships and forms of student income to be exempted from the tests. Giving scholarship holders preferential treatment over peers who earn similar amounts through part-time work is inequitable.

#### IMPROVING GOVERNANCE AND MANAGEMENT

Treasury recommends that additional Commonwealth funding be conditional upon universities complying with Commonwealth policy objectives in relation to their Commonwealth funded activities, particularly by implementing appropriate governance and management frameworks. This approach could be extended to other objectives such as quality, access and equity.

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 26 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

### ATTACHMENT A

Governance, regulation and management reform are not adequately addressed in the proposed packages. Inappropriate governance and management structures and processes have contributed to the financial difficulties facing some universities. Until appropriate governance and management frameworks are established, it is likely that additional funding will be absorbed without generating the desired benefits.

#### LONG-RUN FINANCIAL IMPLICATIONS

Treasury considers that the ERC submission should identify the long-run financial implications and risks of each package (JH02/0491/SM and JH02/0329/CAB). 'Hidden' costs and financial risks are particularly relevant to the new loan schemes.

#### NEW LOAN SCHEMES (F-HELP, E-HELP, OS-HELP)

Treasury recommends that Ministers ask for the ERC submission to discuss alternative arrangements for the new loan schemes, to lower the financial risks for the Commonwealth, reduce cross-subsidies between students and minimise distortions to students' course choices.

Describing the proposed schemes as 'unsubsidised' is misleading as the loan fee will not cover the full cost of the schemes. The schemes will also create substantial financial risks for the Commonwealth relating to bad and doubtful debts and the interest subsidy from indexing student debts to the CPI (which is lower than the cost to the Commonwealth of financing these loans). Public debt interest costs are likely to be significant but are not reflected in the costs presented in the submission, nor are any implications for the Commonwealth's management of its debt and financial asset portfolios. Over time, all of these costs and risks could build to have a significant adverse effect on Commonwealth net debt.

Treasury considers that OS-HELP should not be developed for inclusion in the ERC submission. Default rates are likely to be high due to students finding employment overseas and students will still need access to significant private financial resources to study overseas.

#### TAX ISSUES

Without further details, Treasury cannot be certain that the proposed tax treatment of Commonwealth Learning Scholarships is consistent with current tax treatment. Equally, it is difficult for the Australian Tax Office to assess the costs and impact of administration of the

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 27 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

### ATTACHMENT A

new arrangements. Also, while repayments under F-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.

#### Finance and Administration

Finance supports the review of higher education funding arrangements noting that there has not been fundamental reform since 1989. However, Finance does not consider that the case has been made in the submission for the very substantial additional funding that is proposed.

Finance does not consider that there is evidence of widespread financial problems in the sector. The Productivity Commission Research Report into University Resourcing (February 2003) found that on average there does not appear to be any systemic difference between the operating margins of the selected Australian universities and those in other countries. The average level of debt was lower for the Australian universities than for most of the overseas universities studied and financial assets increased over the six years to 2001.

The submission is presented as deregulatory and achieving increased non-Government revenue for the sector. However, the "deregulatory" measures, the proposed increase in student fees and the resulting increase in student loans, are underwritten by Government funding.

Finance considers that Option 1 (\$1.54 billion impact on underlying cash and resourcing of \$2.48 billion over the forward estimates period) is excessive. When Option 1 is fully implemented in 2007-08 it would have an underlying cash impact of more than \$1 billion each year. These proposed increases would be in addition to total Government funding to the sector in 2003 of \$6.417 billion.

Finance would support an approach that has a Budget impact between Options 2 and 3 (ie \$150 – \$250 million per annum) but this funding should be conditional on contractually binding productivity and operational improvements. If improved Commonwealth influence is not achieved then the costs of higher education will continue to increase at a rate that is

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 28 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

### ATTACHMENT A

unsustainable, resulting in on-going Budget supplementation or increases in student contributions.

Finance does not support funding without a requirement to provide any additional student places or services. Option 1 (Recommendations 2. (a) (i), (ii) and (v)) includes a proposed 7.5 per cent increase in funding for institutions together with the conversion of marginally funded places to fully funded. These elements of the preferred package (\$557 million over four years) would provide substantial funding without corresponding obligations on the sector.

Finance considers that the Department of Education, Science and Training, in consultation with central agencies, should further develop the details of the formal contractual arrangements between the university sector and the Commonwealth (paragraph 13). These critical contractual arrangements and the proposed overall negotiating strategy should be submitted to ERC for consideration.

Finance also considers that greater consideration should be given to the full cost of the various options. Full costs are not entirely transparent in fiscal balance and underlying cash impacts which do not include provision for doubtful debts or public debt interest costs. Since HECS was introduced in 1989 the accumulated HECS debt has increased to \$8.062 billion at June 2002 and will increase this year by a further \$980 million (12.2 per cent). The public debt interest cost attributable to HECS student loans is estimated by Finance to be \$554 million in 2002-03.

At June 2002 the provision for doubtful HECS debts (that has not yet impacted on fiscal and underlying cash) was \$1.57 billion. Since 1993-94 the provision for doubtful debts has increased from 14.9 per cent of accumulated debt to 21.4 per cent and would further increase to 22.2 per cent with the preferred package outlined in the submission (Option 1).

Finance does not consider that the requirement for funding for teacher quality, innovation and collaboration has been demonstrated and does not support Recommendations 2. (b) and 2. (d) (ii). Measures to address equity, governance and workplace reform should be delivered by the sector through strengthened Commonwealth-university contractual arrangements in return for any increases in funding.

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 29 of 38

National Archives of Australia

NAA: A14370, JH2003/29



CABINET - IN - CONFIDENCE

ATTACHMENT A

Finance supports bringing forward to ERC the core proposals outlined in the submission. These core elements are increasing the repayment threshold for HECS loans, partial deregulation of student fees, introduction of F-HELP (loans for full fee paying students) and increased places being made available to full fee paying students.

The core elements of the proposed reforms would provide substantial financial benefit to the sector. For example, the partial deregulation of fees is estimated to provide the sector with an additional \$412 million over three years. F-HELP would result in an additional \$181 million in student loans over the forward estimates period. There will also be additional revenue from increasing the number of full fee paying students. The revenue benefit is dependant on Commonwealth support for subsidised places and student loans.

Finance notes the range of options that would provide benefits to students but does not support bringing forward the introduction of additional student loans for general costs and overseas travel (E-HELP and OS-HELP are all included in Options 1-3). These elements (Recommendations 2. (c) (ii)) would be a substantial shift in the core purpose of HECS and given the increasing debt and doubtful debts should not be supported.

Finance does not support the introduction of scholarships for general education and accommodation costs (\$164 million over four years) (Recommendation 2. (c) (iv)). HECS and subsidised university places are available to students to ensure accessible higher education and there is not an identified need for such a substantial scholarship program.

Finance does not support the proposed research initiatives (\$162 million over four years) (Recommendation 2. (d) (iii)). The Prime Minister has previously announced a process (reporting in July) to map science and innovation activity. Senior Ministers have also agreed that the only BAA programmes that should be considered in the 2003-04 Budget are those that require confirmation of 2006-07 funding in order to meet current commitments. It is also expected under current arrangements that ARC grants to the university sector will increase from \$272 million in 2002 to \$461 million in 2005 (a 70 per cent increase).

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 30 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

### ATTACHMENT A

Finance does not support the proposal to provide additional places, at increased rates of subsidy, for teaching and nursing disciplines (Recommendation 2. (c) (i)). Finance considers that the key issues in achieving a sufficient supply of nurses and teachers (including remuneration levels) are under the control of State and Territory jurisdictions. Provision of student places at lower fee levels will be insufficient without a firm commitment from the States to implement reforms.

#### Attorney-General's

The Attorney-General's Department notes the draft Submission: 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.

#### Industry, Tourism and Resources

The Department of Industry, Tourism and Resources notes the submission is extremely comprehensive with substantial policy and financial implications.

The Submission clearly sets out the principles lying behind what is a complex package. However, it is not apparent from the submission what the Minister sees as the vision for the sector and where he wants the weight of resources to fall in terms of vocational training and general education. It would aid assessment if a small number of goals or outcomes were identified to provide a benchmark for priority setting. That said, ITR believes the conceptual basis of the key structural proposals is sound and the Commonwealth Grants Scheme, partial deregulation of fees and new arrangements for student financing should provide additional funding and flexibility so as to improve the performance of the higher education system.

ITR also agrees these structural measures can be usefully supplemented by additional support to regional universities and more information to students through the Higher Education Information Management System.

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 31 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

### ATTACHMENT A

ITR considers the practical case for the structural reforms could be strengthened by some detailed articulation of the possible forward impact of the reform package on key issues such as overall university resources and number of students, the Commonwealth/student spending split, course composition (in particular courses with lower financial returns to universities/students) and the growing share of university places taken by overseas students and the implications for growth in places for local students. While noting that such articulation is speculative, an attempt to spell out in some detail where reform is likely to lead will aid decision making by informing Ministers of the possible impact of the measures, how the measures will bring about that impact and enable them to decide whether they consider the likely impacts desirable.

ITR supports the need to identify and deal with National Priorities. It considers further consideration should be given to identifying possible mechanisms for universities (and students) to be informed of, and respond to, impending skill demands in the workplace. ITR notes for example industry concerns of an impending shortage of engineers. While noting the desirability of dealing with nursing and teaching shortages, ITR queries the cost effectiveness of reducing HECs fees which provide a windfall for the more than 50,000 students who currently enrol in these courses for an uncertain supply side effect. A key issue in nursing and teacher shortages is retention and the National Review of Nursing Education did not focus on reducing HECS.

ITR notes there are many measures built around the structural reforms. While some, such as the Collaboration and Innovation Program, appear soundly based the case for others is not as strong. For example, the focus and detail of a number of the performance measures is not well developed. The case for a co-operative centre for humanities would appear premature given the review of co-operative research centres currently underway. The priority given full funding for the conversion of marginal funded places 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 student places, is not presented. Importantly, the impact of the core structural reforms on performance and university funding should mitigate the need for such extensive supplementary measures.

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 32 of 38

National Archives of Australia

NAA: A14370, JH2003/29

ATTACHMENT A

It is also surprising that on-going funding for initiatives announced in Backing Australia's Ability is raised in this submission rather than in the context of the development of the Government's science and innovation strategic priority. It is also contrary to advice given to departments on when these substantive issues will be addressed.

To the extent that a reduced funding package was considered a priority, as implied by option 2 in the Submission, ITR would suggest consideration be given to proceeding with the key structural reforms and achieving savings in the other measures.

**Transport and Regional Services**

The Department of Transport and Regional Services supports the Cabinet Submission on Higher Education Reforms (JH03/0029).

In particular, DOTARS supports the range of initiatives which recognise the higher costs in regional campuses (regional loading); reward collaboration and innovation with regional communities; enhance joint educational precincts; and promote greater participation of rural and regional, lower socio-economic and Indigenous students. The ability of regional communities to develop sustainable economic activity 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.

Given the size and scale of reforms, DOTARS considers it important to maintain the integrity of the total package (avoid 'carving up' to find savings) so that the range of policy objectives can be achieved and stakeholder expectations met. It is a complex, innovative package which will reap benefits in the future but will need upfront investment to make it work.

Long-term sustainability and viability are significant issues for the sector, and the reforms will take time. It will take time and resources (both within the universities and the public service) to implement the changes. It is important to ensure that the 'transition time' is adequately resourced. Universities will vary in their capacities to adapt to the significant changes. The ability to adapt will vary according to their size and scale, and their ability to generate additional income through student charges; their IT readiness; professional business

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## CABINET - IN - CONFIDENCE

### ATTACHMENT A

management capabilities; and opportunities to access non government funding and private sector investment. One year may be too short for the transitional fund identified to operate from 2005, to ensure no public institution is worse off as they enter the new framework. There would be value in reviewing this on a case by case basis.

#### Australian Taxation Office

The Australian Taxation Office has no comment in relation to the Higher Education Reform Submission.

#### Employment and Workplace Relations

The department has not seen the full Submission. This coordination comment is based on the extract provided.

The extract states that the existing Workplace Reform Programme has not achieved the desired reforms. This assessment is accurate. The department's submission to the Higher Education Review demonstrated that there is considerable scope to progress workplace reform in this sector. The sector has to date been reluctant to make genuine attempts to change workplace practices.

The Government gained considerable leverage to pursue workplace reform in this sector with the Federal Court decision to dismiss the NTEU's challenge to the Workplace Reform Programme. This decision recognised the validity of the Government pursuing policy objectives by directly linking funds to progress with workplace reform.

On the information available it appears the proposed Workplace Productivity Programme (WPP) will not tie Commonwealth funds to workplace reform. In DEWR's view this would lose important ground gained by the Federal Court decision and remove any incentive for this sector to commit to workplace reform.

DEWR has proposed that the criteria for funding should be based on a number of benchmarks. The benchmarks could be developed by the higher education sector, in

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 34 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

### ATTACHMENT A

consultation with, and agreed by, the Government. Under such an arrangement, the provision of funds to institutions would be on the basis of institutions achieving the agreed performance benchmarks. Workplace reform should also be included in any new business arrangements set out in the proposed National Protocols on Governance and Accountability.

It is DEWR's view that the Minister for Education, Science and Training should come back to Cabinet with the full details of the components and targets of the proposed WPP.

The department has reservations about the proposed legislative amendment to the Workplace Relations Act 1996. Amending the Act to provide for industry specific solutions would set an undesirable precedent. It would be inconsistent with the framework underpinning the WR Act and may lead to other industries seeking similar amendments. In addition, amendment to the WR Act without being clearly linked to a comprehensive package of workplace reform will be of little value.

#### Immigration, Multicultural and Indigenous Affairs

Although DIMIA has not seen the full submission or the proposed recommendations, it supports the directions it has seen. DIMIA supports the importance of improving participation in and outcomes for disadvantaged people in the higher education sector.

DIMIA notes that with only 11 per cent of Indigenous university students having come direct from school to university (compared with 45 percent of all domestic students), real gains in higher education outcomes are unlikely without substantial gains from the primary and secondary education systems for Indigenous people in terms of English literacy, numeracy, school attendance and year-12 retention rates.

The proposal to deny permanent residents access to HECS-HELP will discourage skill upgrading. In some cases, this may simply mean deferral while for others it may mean that additional training is never taken. Survey data indicates that 12% of Independent Skilled migrants, for example, attend university soon after migration. This is mostly to undertake postgraduate training at the doctorate or masters level.

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 35 of 38

National Archives of Australia

NAA: A14370, JH2003/29



## CABINET - IN - CONFIDENCE

### ATTACHMENT A

Humanitarian Program entrants, who are already highly disadvantaged in the labour market, will find it near impossible to attend university until they obtain citizenship. Around 1% of Humanitarian Program entrants attend university in the first 18 months after arrival, mostly to undertake a bachelors degree. DIMIA suggests an exemption should be considered for this group.

A positive aspect of the proposal is that it will discourage those who seek permanent residence to avoid paying overseas student fees and then depart Australia without repaying their HECS debt.

DIMIA understands that the proposal is to operate for all new students after 1 January 2005. This will mean that existing permanent residents, including long-term permanent residents who have not taken out citizenship, would lose a potential benefit they currently have. This may attract criticism.

DIMIA notes advice from DEST that New Zealand citizens have not had access to HECS-HELP since 1996 and hence would not be impacted by the proposal. The change will in fact bring the situation of permanent residents into line with NZ citizens.

DIMIA notes that this proposal may lead to an increase in the numbers of inquiries from universities regarding the citizenship status of new students. The cost of this would need to be addressed.

#### **Family and Community Services**

FaCS supports the proposal to provide targeted assistance to disadvantaged students through a merit-based scholarship system. However, that this should not count as income under the Social Security Act 1991 needs further examination preferably prior to ERC. This examination should be undertaken jointly with FaCS. The Department notes that most existing scholarships count as income and these proposed exemptions may result in an expectation of exempting other non-Commonwealth scholarships from income tests. There is a need for equity and consistency of treatment under the Social Security Act 1991 and a need to examine Budget impacts before any agreement to exempt these proposed scholarships.

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 36 of 38

National Archives of Australia

NAA: A14370, JH2003/29

## CABINET - IN - CONFIDENCE

### ATTACHMENT A

We expect that the scholarships will have a positive impact upon the ability of young people from disadvantaged backgrounds to take full advantage of higher education placements. Introduction of these scholarships would be expected to reduce demand for student loans and thus reduce student debt.

FaCS supports the more administratively streamlined design of the E-HELP loans scheme and the features to limit the amount to be borrowed and the escalation of debt, compared to the complexity and doubtful debt of the Student Financial Supplement Scheme (SFSS). However this loan scheme could further contribute to sources of mounting student debt for low income students.

#### Health and Ageing

The Department of Health and Ageing supports moves to reduce emerging medical workforce shortages through the creation of full fee funding places for medical undergraduate students in addition to the Commonwealth funded places already available.

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 with other disciplines. Fee paying medical school places may be criticised on the grounds that they would put financial pressure on the States through the need to fund additional clinical training. This could be managed by requiring Universities to show evidence of State agreement to provide clinical training before additional places are made available.

The Department welcomes the discretion given to the Minister for Education, Science and Technology to manage the number of places over time if this becomes necessary.

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

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 37 of 38

National Archives of Australia

NAA: A14370, JH2003/29



CABINET - IN - CONFIDENCE

ATTACHMENT A

The additional undergraduate nursing places proposed (210 per annum) is less than the minimum 400 places recommended in the recently released National Review of Nursing Education. Criticism of this can be countered by focussing on the range of strategies proposed to support nursing education. In addition the 210 places is an ongoing addition while the 400 places proposed in the Review would only be for two years at this stage.

The Department also notes that the proposal to remove remaining prohibitions on fee paying arrangements in respect of postgraduate nursing will need to be carefully managed if criticism of it as a disincentive to nursing education is to be avoided.

Copy No. 57

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CABINET - IN - CONFIDENCE

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:12:21 38 of 38

National Archives of Australia

NAA: A14370, JH2003/29

**CABINET - IN - CONFIDENCE**

Copy No. 57

**ATTACHMENTS REFERRED TO IN CABINET  
SUBMISSION JH03/0029**

**HIGHER EDUCATION REFORMS**

**INDEX OF ATTACHMENTS**

Attachment	Content	Submission
Attachment A	Coordination Comments	
Attachment B	Overview of Reform Package	2
Attachment C	Commonwealth Grant Scheme	7
Attachment D	Student Financing	17
Attachment E	Performance and Incentive Funding	29
Attachment F	Higher Education Reform Schedule	46
Attachment G	Modelling of Reduced Subsidies	52
Attachment H	Long-term Financial Implications	55
Attachment I	Higher Education Review Process	73

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**CABINET - IN - CONFIDENCE**

JH03/0029 57 Glenn Gore-Phillips/DPMC/CABNET - 13/02/2003 09:59:25

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NAA: A14370, JH2003/29



OVERVIEW OF REFORM PACKAGE

1. Long-term sustainability and viability of all existing public self-accrediting higher education institutions.

- a. Partial deregulation of the higher education market, enhancing the capacity of institutions to generate and attract non-government revenue through:
  - i. amendments to the arrangements for industry supported higher education places at public institutions from 2004;
  - ii. amendments to the restrictions that apply to fee-paying students in public institutions from 2004;
  - iii. F-HELP programme from 2005; and
  - iv. improved taxation arrangements to stimulate greater private investment particularly in course provision.
- b. Creation of a coherent and consistent higher education policy framework:
  - i. a revised Commonwealth Grant Scheme from 2005 that increases the Commonwealth's contribution to course costs by 7.5 per cent and funds institutions on the basis of an agreed number of places and discipline mix;
  - ii. contractual like agreements with Commonwealth funded institutions from 2005 that establish outcomes and performance measures;
  - iii. provision for up to 1400 places (655 existing places) from 2005 in areas of national priorities for allocation to eligible private institutions where public institutions are unable to meet the demand for places;
  - iv. provision to Marcus Oldham College of a once off payment in 2004 to address the historical anomaly that results from them receiving Commonwealth funding and to put them on an equal footing with other private institutions;
  - v. transition fund for 2005 that ensures that no public institution is worse off under the new arrangements; and
  - vi. limited Commonwealth supported higher education Learning Entitlement.
- c. Additional support for regional campuses:
  - i. loading for higher education places that are provided at regional campuses from 2004;
  - ii. Collaboration and Innovation Fund with collaboration with regional communities a priority; and

## CABINET - IN - CONFIDENCE

- iii. increase to Capital Development Pool with regional initiatives a priority.
- d. Sustaining a relative level of outcomes from existing programmes:
  - i. growth (in line with population growth) in the number of Australian Postgraduate Awards (APAs) from 2006; and
  - ii. growth (in line with population growth) in the number of places available under the Research Training Scheme (RTS) from 2006.
- e. Improving governance and flexibility of higher education institutions:
  - i. contractual like arrangements between institutions and the Commonwealth;
  - ii. Association of Governing Bodies in Universities in 2003;
  - iii. National Protocols on Governance and Accountability;
  - iv. amendments to the *Workplace Relations Act 1996* to protect vulnerable third parties from industrial action; and
  - v. Workplace Productivity Programme from 2006.
- f. Ensure course provision addresses labour market needs:
  - i. nursing identified as a national priority from 2004 and the Commonwealth grant for this discipline increased;
  - ii. teaching identified as a national priority from 2005 and the Commonwealth grant for this discipline increased;
  - iii. 210 commencing nursing places at regional campuses across Australia from 2004; and
  - iv. sustain the Commonwealth's provision of supported places in line with population growth from 2007.

### **2. Greater diversity and specialisation within the higher education sector.**

- a. Creation of incentives for institutions to differentiate their missions:
  - i. Learning and Teaching Performance Fund from 2006;
  - ii. Research Performance Fund from 2006;
  - iii. Cooperative Centres for Applied Scholarship in Humanities, Arts and Social Sciences from 2006;
  - iv. Collaboration and Innovation Fund from 2005;
  - v. Council for Humanities, Arts and Social Sciences from 2003; and
  - vi. a taskforce to examine closer collaboration between universities and major publicly funded research agencies and investigate alternative funding models for the national research effort. As a first step, the amalgamation of

CABINET - IN - CONFIDENCE

3 of 74



## CABINET - IN - CONFIDENCE

the Australian Institute of Marine Science with James Cook University in consultation with the Queensland Government.

### 3. Improved accessibility to higher education.

- a. Ensuring that higher education can be undertaken at no cost at the point of delivery for all students in public and eligible private higher education institutions:
  - i. F-HELP programme from 2005 for full-fee paying students;
  - ii. limited Commonwealth supported higher education Learning Entitlement; and
  - iii. revised HECS arrangements from 2005.
- b. Offsetting increased student contributions by increased repayment thresholds in student loan schemes:
  - i. New HECS arrangements from 2005 including the setting of student contribution levels by institutions.
- c. Increased participation in and outcomes from higher education by disadvantaged groups:
  - i. Commonwealth Education Costs Scholarships (CECS) programme from 2004;
  - ii. Commonwealth Accommodation Costs Scholarships (CACS) programme from 2004;
  - iii. F-HELP programme from 2005;
  - iv. E-HELP programme from 2005;
  - v. OS-HELP programme from 2005;
  - vi. increase to the funds available through the Indigenous Support Fund (ISF) from 2005;
  - vii. Indigenous Staff Scholarships programme from 2004;
  - viii. Indigenous Higher Education Advisory Council (IHEAC) from 2003;
  - ix. modification of the Higher Education Equity Programme (HEEP) from 2005;
  - x. increases to funds available through the Students with Disabilities Programme from 2005; and
  - xi. an increase to the Capital Development Pool to fund joint educational precincts in areas of need.

CABINET - IN - CONFIDENCE

4 of 74

CABINET - IN - CONFIDENCE

- d. Provision of incentives for students to undertake courses in national priority areas:
  - i. reduced student contributions for nursing in Commonwealth supported places reduced from 2004; and
  - ii. reduced student contributions for teaching in Commonwealth supported places reduced from 2005.

**4. Improved quality in the sector, particularly improved quality of undergraduate learning experiences and outcomes and improved research outcomes.**

- a. Ensure all Commonwealth supported places are funded at a level that sustains quality learning outcomes:
  - i. growth in the number of Commonwealth supported higher education places from 2005 through the conversion of marginally funded places.
- b. Improving the quality of teaching and learning outcomes:
  - i. National Institute for Learning and Teaching in Higher Education from 2003;
  - ii. additional funding for the Australian Awards for University Teaching from 2006;
  - iii. supplementation of the Research Training Scheme (RTS) from 2006 to support completion of qualifications in tertiary teaching and research commercialisation;
  - iv. Learning and Teaching Performance Fund from 2006;
  - v. funding for the Australian Universities Quality Agency to undertake overseas audits from 2005;
  - vi. continued funding for the Graduate Destination Survey and the Course Experience Questionnaire; and
  - vii. increased support for the promotion and development of the Graduate Skills Assessment from 2005.
- c. Improving the quality and quantum of research outcomes:
  - i. Research Performance Fund from 2006;
  - ii. evaluation of the Knowledge and Innovation reforms in 2003;
  - iii. Research Infrastructure Taskforce in 2003;

CABINET - IN - CONFIDENCE

5 of 74



CABINET - IN - CONFIDENCE

- iv. the Australian Research Council be directed to use some of the increase in funds received under *Backing Australia's Ability* to cover the costs of Chief Investigator salaries;
  - v. amendments to the *Australian Research Council Act 2001* to improve the governance and administration of grants;
  - vi. Cooperative Centres for Applied Scholarship in Humanities, Arts and Social Sciences from 2006; and
  - vii. a taskforce to examine closer collaboration between universities and major publicly funded research agencies and investigate alternative funding models for the national research effort. As a first step, I will amalgamate the Australian Institute of Marine Science with James Cook University in consultation with the Queensland Government.
- d. Creating incentives to promote collaboration between institutions and business/industry and local communities to improve the quality of institutional outcomes:
- i. Collaboration and Innovation Fund from 2005;
  - ii. Ministerial Council for Business/Industry/University Collaboration from 2005;
  - iii. Council for Humanities, Arts and Social Sciences from 2003;
  - iv. increase to Capital Development Pool for initiatives in regional areas and joint educational precincts from 2006; and
  - v. a taskforce to examine models for closer collaboration between universities and the major publicly funded research agencies.

**Implementation and other measures**

- Development of the Higher Education Information Management System from 2003 to manage the new arrangements once legislation has been passed.
- Implementation on-costs provided to the Department of Education, Science and Training and public institutions to implement and manage the new arrangements from 2004.
- Additional costs for promotion from 2004.

CABINET - IN - CONFIDENCE

6 of 74

## COMMONWEALTH GRANT SCHEME

*Policy Objectives*

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.

*Policies*

A new Commonwealth Grant Scheme for teaching and scholarship will replace existing block operating grants. This will be underpinned by partial fee deregulation to allow and encourage institutions to specialise and respond to student demand. 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 7.5 per cent increase in the Commonwealth contribution per student place, additional growth places, loadings for regional places, and special arrangements in areas of national priority such as teaching and nursing.

Together these changes will facilitate specialisation and diversity among Australia's universities, with each encouraged to do what they do best. 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. The additional growth places will address excess student demand and remove the potential adverse effect on educational quality of partially funded places taken on by universities in excess of their agreed target. The regional loading will recognise and encourage the important role played by regional universities in their local economies. The special arrangements for teaching and nursing will ensure an adequate supply of high quality entrants to Australia's schools and hospitals.

Access to Commonwealth supported places will be via a Learning Entitlement. Eligible students will receive a Learning Entitlement for five years (equivalent full-time) or longer where the normal course duration is greater than five years. Australian citizens using their Learning Entitlement will also be eligible for a Commonwealth subsidised HECS loan (see Attachment D). Limiting the Learning Entitlement to five years will result in savings that will be applied to continued provision of places so that more Australians can benefit from higher education.

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



## CABINET - IN - CONFIDENCE

will be increased from 25 to 50 per cent of domestic places, excluding employer/industry funded places. 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, and for medical places. Current arrangements for overseas fee-paying students will remain. The current complete prohibition on fee paying places in medicine in public universities will be removed as part of broader changes to medical workforce provision to be brought forward shortly by the Minister for Health and Ageing.

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 Learning Entitlement in those places or have access to HECS loans to meet any related fees. They will have access to F-HELP loans. It is proposed that new tax incentives will be investigated with the Australian Taxation Office to encourage employer/industry investment in higher education.

### Commonwealth Course Contribution, Course Fee, and Student Contribution

#### *Policy objective*

During the consultation process, many stakeholders argued for any future funding model to maximise flexibility for institutions in terms of student load targets and fee deregulation. Fee deregulation, involving in some cases increased costs to students, may be partly allayed by a concurrent increase in the Commonwealth's contribution. It is proposed to introduce a pricing mechanism which will enable and encourage higher education institutions to pursue their own goals and objectives, identify and specialise in particular areas of strength, focus and respond to student demand, and generate a source of income not currently available to them. It will require every university to set a total cost for each course it offers and so determine students' own contribution to their studies. It will also promote development of a more diverse higher education system providing a much greater range of options for students than currently. An increase in the Commonwealth's contribution acknowledges the increased costs which some students may face under a regime of fee deregulation, acknowledges increased costs faced by institutions and encourages students to study in the national priority areas of teaching and nursing. It is acknowledged that not all institutions will be in a position to increase fees.

#### *Policy*

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

CABINET - IN - CONFIDENCE

8 of 74

## CABINET - IN - CONFIDENCE

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 increased by 7.5 per cent by 2007 and will be set in 10 clusters (Attachment G, p. ) based on:

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

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 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. 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 student will be able to pay his or her student contribution through HECS, and HECS will remain the fundamental support mechanism for students undertaking higher education in Australia in a Commonwealth supported place. Some amendments to the current HECS arrangements are necessary, and these are set out in Attachment D. The Commonwealth will set maximum student contribution levels. Penalties will apply where institutions charge students beyond the maximum student contribution levels. The Commonwealth will claw back every dollar that institutions charge beyond the maximum rates so that there will be no incentive for any institution to pursue this practice. Student debt amounts will also be adjusted in such cases.

CABINET - IN - CONFIDENCE

9 of 74



## CABINET - IN - CONFIDENCE

### Marginal Place Conversion and Growth

#### *Policy objective*

In 2001 universities enrolled 25,000 students more than the target number supported by the Commonwealth. The Commonwealth 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 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.

#### *Policy*

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 previous section). 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 students. Given its commitment to the conversion of marginally funded students, the Commonwealth will not provide growth to the sector until 2007. Any growth in the sector until 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. 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.

### Regional Loading

#### *Policy objective*

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 equivalent difficulties. Assistance for other regional campuses is required to create equity between regional campuses and ensure that students from rural and regional areas in particular are able to access a quality higher education.

CABINET - IN - CONFIDENCE

10 of 74

# CABINET - IN - CONFIDENCE

## Policy

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 mainland 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, 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 institutions, for example campuses in Victorian provincial areas, would be placed in the fourth band receiving the smallest regional loading. ACT campuses would not receive any loading.

## Regional impact

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

## Impact Statement

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

## National Priority Places

## Policy objective

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 findings of two recent reviews suggest changes to Commonwealth support in these areas are needed. The Commonwealth recently completed a National Review of Nursing Education, and a Review of Teaching and Teacher Education is due to report in mid-2003. The final nursing report argued the need for further support for nursing in universities, particularly in terms of the high costs of clinical practice in nursing. Early advice from the teaching review suggests that the need for further support for the teaching practicum in education courses will be an important

CABINET - IN - CONFIDENCE

11 of 74



## CABINET - IN - CONFIDENCE

issue. In addition, while demand and supply in both professions appear to be subject to a complex range of factors, there is some evidence that financial factors are more significant for nursing and teaching students than for students in other disciplines. It is imperative to ensure that HECS rates in nursing and teaching do not deter prospective students. In addition, some additional support for students in areas of national priority may balance the public perception of the potential increases to student fees more generally. 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.

### *Policy*

Three measures are therefore proposed to ensure an adequate supply of nurses and teachers to meet demand, and to address the education of Indigenous students in nursing and teaching. The measures are an increased Commonwealth contribution for institutions offering teaching and nursing to be directed to the practicum and clinical practice, additional Commonwealth support for nursing and teaching students in the form of lower HECS rates, the creation of additional nursing places, and support for existing Commonwealth places in private higher education institutions if they are in national priority areas, as well as provision of additional places in priority areas. Details are set out below.

The Commonwealth has identified the national priority areas of nursing from 2004 and 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 in the case of teaching courses and clinical education elements of nursing courses. The Commonwealth will review these priorities periodically. New clusters (in addition to the ten existing clusters) will be established to increase the Commonwealth contribution for courses in national priority areas. The Commonwealth will also reduce the maximum HECS institutions may charge students in priority areas.

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.

As well as increasing the Commonwealth contribution for existing course places, the Commonwealth will set aside up to 1,400 Commonwealth supported places for allocation in private higher education institutions to meet specified national priorities: 1,000 places for teaching and nursing, and 400 for Indigenous students. These 1,400 places will be inclusive of the 655 Commonwealth supported places currently provided by private institutions as indicated below. Any new 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.

CABINET - IN - CONFIDENCE

12 of 74

## CABINET - IN - CONFIDENCE

The Commonwealth will continue its support for places at Avondale College and UNDA under the national priority policy places as follows:

*Table C1 – Commonwealth supported places in private higher education institutions*

<b>Institution</b>	<b>National Priority</b>	<b>Places</b>
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

### Removal of Restrictions on Fee-paying students

#### *Policy objective*

There are a range of existing restrictions on the proportion of full fee paying students in courses with Commonwealth supported places. Some of these restrictions will be relaxed or removed to increase student choice, encourage further private investment in higher education, enable sector growth and reduce unmet demand. Competition for full fee paying students between eligible public and private institutions will be put on an equitable basis through the provision of loans to fee payers regardless of the institution they attend.

#### *Policy*

With regard to domestic postgraduate coursework students, courses leading to an initial qualification in nursing or teaching or provisional registration as a medical practitioner must currently be offered on a HECS-liable basis. This restriction will be removed so that institutions will be able to charge domestic students full fees in respect of nursing and teacher education courses that lead to initial registration, providing these places are in addition to Commonwealth supported places. The prohibition on charging fees for medical places will be removed, although institutions will still be restricted in the total number of medical places they can provide.

With regard to domestic undergraduate coursework students, there is currently a provision that the number of students charged fees for a particular course can not exceed 25 per cent of the total number of places available for domestic students in that courses. Under new arrangements, the limit on places not supported by the Commonwealth will be increased to 50 per cent. Employer or industry 'restricted access' places will be excluded when determining the allowable number of places not supported by the Commonwealth.

Institutions will be required to fill all of their Commonwealth supported places before enrolling any undergraduate student who has a Learning Entitlement in a place not supported by the Commonwealth (ie in a full fee-paying place). There would be no rule limiting the circumstances in which a student without a Learning Entitlement could be enrolled in such a place. The fee set by institutions for fee-paying students cannot be lower than that set for students in supported places in the course.

CABINET - IN - CONFIDENCE

13 of 74



## CABINET - IN - CONFIDENCE

Where a course has employer or industry 'restricted access' places and there are no Commonwealth supported places, universities will be able to add additional full fee-paying places (ie places not supported by the Commonwealth) to the course provided that these additional places do not exceed 50 per cent of total places in that course. There will be no changes to current fee-paying arrangements for overseas students.

### Contractual like arrangements

#### *Policy objective*

The existing profile arrangements, including annual profile visits, effectively maintain the status quo within each university in terms of course places and discipline mix. More formal, binding and transparent contractual like arrangements, incorporating performance measures and implications for non-compliance, will underpin the move to greater specialisation in each university's mission.

#### *Policy*

The profile arrangements will be replaced by a formal contractual like arrangement which is outcome focused and includes performance measures. The rolling triennium funding arrangements will continue. As part of the "contract" arrangements eligible institutions will provide the Commonwealth with agreed Strategic Directions for its Mission and Course Provision on a rolling triennium basis and these will be the basis for negotiation of the annual "contract". New accountability mechanisms will be settled with the sector to replace the single "profile" meeting. It is envisaged this will entail an annual institutional assessment covering aspects of an institution's management and performance. The process would utilise existing data sources to reduce the red tape and burden of reporting on the sector.

### Commonwealth/State consultation arrangements

#### *Policy objective*

At the July 2002 meeting of Ministerial Council on Education, Employment, Training and Youth Affairs, Ministers agreed that there would be "close consultation between jurisdictions in developing national policy during the course of the Commonwealth's higher education review, and on such matters as responding to demand for higher education places" (Item 1.9.2(b)). While the Commonwealth did not support the State/Territory proposal to establish a National Allocation Priority Pool for university places, it indicated that it would welcome advice from States and Territories on a mechanism for allocating places. Greater consultation with States and Territories will fulfil the Commonwealth's commitment to MCEETYA in this area, and enable greater State/Territory input into decisions affecting workforce requirements. It will also promote more streamlined institutional reporting requirements, improved articulation arrangements with the vocational education and training (VET) sector, and greater consistency in the provision of higher education in rural and regional areas.

CABINET - IN - CONFIDENCE

14 of 74

## CABINET - IN - CONFIDENCE

### *Policy*

The Commonwealth will seek to enter into new, strengthened partnership arrangements for higher education with each State and Territory. The strengthened arrangements would consider:

- streamlined institutional compliance and reporting arrangements, including consistency across the vocational education and training and higher education sectors for dual sector institutions, for the Commonwealth, States and Territories;
- improved articulation arrangements between vocational education and training and higher education and a national framework for credit transfer;
- an agreed model for the future distribution of higher education places between States and Territories taking into account demographic changes and differential rates of school completion;
- strategies for the cooperative provision of higher education in regional and rural areas; and
- responses to workforce planning needs arising from relevant fora such as, but not limited to, the Australian Health Workforce Advisory Committee.

### Marcus Oldham College Buyout

#### *Policy objective*

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.

#### *Policy*

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 F-HELP loans to pay their fees (see Attachment D).

#### Cost

##### Budget Impact – Commonwealth Grant Scheme

	<b>Commonwealth Course Contributions</b>	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	-56.2	-28.1
2005-06	-128.4	-92.3
2006-07	-203.8	-166.1
Total	-388.5	-286.6

CABINET - IN - CONFIDENCE

15 of 74



CABINET - IN - CONFIDENCE

	Transitional Fund	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	-12.8	-6.4
2005-06	0.0	-6.4
2006-07	0.0	0.0
Total	-12.8	-12.8
	Conversion of Marginal Places and Growth	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	-64.8	-32.4
2005-06	-118.6	-91.7
2006-07	-174.9	-146.7
Total	-358.2	-270.8
	Regional loading	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	-27.9	-14.0
2004-05	-30.3	-29.1
2005-06	-31.5	-30.9
2006-07	-32.9	-32.2
Total	-122.5	-106.1
	National priorities – Teaching	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	-60.3	-30.1
2005-06	-61.6	-60.9
2006-07	-63.0	-62.3
Total	-184.8	-153.3
	National priorities – Nursing	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	-21.6	-10.8
2004-05	-23.7	-22.6
2005-06	-25.4	-24.5
2006-07	-26.9	-26.2
Total	-97.6	-84.1
	Marcus Oldham Buyout	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	-2.1	-1.1
2004-05	0.0	-1.1
2005-06	0.0	0.0
2006-07	0.0	0.0
Total	-2.1	-2.1

CABINET - IN - CONFIDENCE

16 of 74

**STUDENT FINANCING***Policy objectives*

The Higher Education Contribution Scheme (HECS) is the primary means through which the Commonwealth assists students to gain a higher education. Currently, students in a 'HECS place' are required only to pay a portion of the costs associated with their education, and may defer payment of their contribution until their income reaches a set threshold. An underlying equity principle that higher education is free at the point of entry demands the maintenance of HECS. However, HECS cannot adequately meet the demands of student financing in the future. While HECS meets students' tuition costs, it leaves most students and their families to bear other important and expensive educational costs without assistance. The active engagement of students in study is a critical dimension of higher education quality. The extent to which Australian students are undertaking paid work to support their studies has increased dramatically. Apart from managing ongoing costs, many students, including those who are not from disadvantaged backgrounds, experience periods of financial pressure and can be prevented from undertaking important educational opportunities. The creation of greater choice for students in a diversified sector, through such means as deregulation, will undermine equity if Australia's most promising but disadvantaged students are not provided with additional assistance. Highly capable students are denied access to higher education or their preferred courses by the narrowest of margins, or by their limited capacity to raise full fees at the point of entry. Although the Commonwealth cannot expect to finance the higher education of every eligible student in the course and institution of their choice through HECS, there are means through which increased student choice can be supported. HECS must be amended and augmented by a suite of appropriate student financing programmes if the Commonwealth is to support choice, quality and access for higher education students.

*Policies*

HECS will remain the primary support mechanism for students undertaking higher education in Australia. Its fundamental nature as an income-contingent, interest-free loan to students in Commonwealth supported places will remain unchanged. However, there will be a number of changes to current parameters, including an increase in the minimum repayment threshold, introduction of maximum student contribution levels in four bands including a National Priorities band, and introduction of 'Learning Entitlements' for Australian students.

A Commonwealth Learning Scholarships Programme will be introduced to enhance participation of rural and regional, low SES and Indigenous students in higher education. It will consist of Commonwealth Education Costs Scholarships (CECS) and Commonwealth Accommodation Costs Scholarships (CACS). These scholarships, which will be merit based, will target students experiencing financial hardship and reduce the financial burden on students from a low SES background who pursue higher education.

A new Higher Education Loan Programme (HELP) will be introduced. It will incorporate HECS and three new income contingent loan schemes:

- Fee-paying - Higher Education Loan Programme (F-HELP);
- Educational Costs - Higher Education Loan Programme (E-HELP); and
- Overseas Study - Higher Education Loan Programme (OS-HELP).



## CABINET - IN - CONFIDENCE

These new loans will replace and expand the Postgraduate Education Loans Scheme (PELS) and the Bridging for Overseas-Trained Professionals Loan Scheme (BOTPLS) and will involve the inclusion of a loan fee to cover the cost of borrowing to the Commonwealth. HELP loans will be integrated so that repayment arrangements will only apply to a single overall HELP debt amount.

### Commonwealth Scholarships Programme (CSP)

#### *Policy objective*

The Commonwealth provides significant assistance to students in meeting the costs of higher education through course contributions under the Commonwealth Grant Scheme and through the provision of interest-free, income contingent loans under the Higher Education Contribution Scheme. However, students face a range of other costs for which assistance is unavailable or inadequate. Students from equity groups are particularly vulnerable to the financial demands of study, especially those who must relocate to undertake study. 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 face particular challenges in meeting their education costs. 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 studies. 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. Financial support needs to be provided to talented students from disadvantaged backgrounds so that these individuals can realise the full benefits of higher education. Support also needs to be extended to students from rural and isolated areas so that their course choices are not constrained by residential proximity and their educational outcomes are not compromised by excessive participation in paid employment. In addition, a rebadged programme of international scholarships and a growth element to the Australian Postgraduate Awards (APA) Scheme will be introduced.

#### *Policy*

A new Commonwealth Scholarships Programme (CSP) will be introduced, consisting of three major groups of scholarships: 'Learning Scholarships', 'International Scholarships' and 'Research Scholarships'.

Two new scholarship programmes will be introduced under the 'Learning Scholarships' group. Both scholarship programmes 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. A change to the Social Security Act 1991 would be required to exclude these scholarships from the social security income test. 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 students with educational 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.

CABINET - IN - CONFIDENCE

18 of 74

## CABINET - IN - CONFIDENCE

The Commonwealth Accommodation Costs Scholarships (CACS) 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. The scholarship will not count as income for income tax or income support purposes. 1,500 new CAC Scholarships will be provided in 2004. 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 7,500 students would be in receipt of a CAC Scholarship.

Under the 'International Scholarships' group a number of existing programmes will be brought together under the umbrella of the 'Endeavour Programme' to showcase the excellence of Australia's higher education sector and assist the drive for diversification into new markets by developing a quality presence in targeted countries. This measure has been proposed under a separate Cabinet Submission on international education and will be considered in the Budget context as part of the PBS.

Under the 'Research Scholarships' group the Research Training Scheme (RTS) and Australian Postgraduate Awards (APA) Scheme will be amended to incorporate a growth factor equivalent to population growth. This will increase the support provided through the RTS each by 551 EFTSU over 4 years and increase the number of notional new APAs allocated each year by 40 over 4 years. The increase in the number of APAs will maintain the proportion of Commonwealth scholarships available to Commonwealth funded research students. The allocative mechanism for RTS funds will be revised and simplified for 2004 onwards in consultation with the sector.

### *Regional Impact*

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

### *Impact Statement*

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

CABINET - IN - CONFIDENCE

19 of 74



## CABINET - IN - CONFIDENCE

### HECS – HELP

#### *Policy objective*

The requirement for all universities to set course fees will provide institutions with far greater flexibility than under current arrangements and will promote a more diverse higher education system. As student contribution levels will vary between courses and between institutions, a much greater range of options will be available for students pursuing higher education in Australia. HECS will remain the fundamental support mechanism for students undertaking higher education in Australia in a Commonwealth supported place, offering income contingent, interest free loans to the value of their contribution to course costs. Some amendments to current parameters are necessary in order to integrate student loan arrangements with new flexible funding arrangements for Australian higher education institutions offering Commonwealth supported higher education places. Amendments are also needed to reduce any possible deterrence to students undertaking study in areas of national priority; ensure the fair distribution of HECS subsidies; encourage upfront and early HECS repayments, while reducing any perceived disadvantage this may create for those unable to do so; and lessen the burden of HECS repayments for low income earners.

#### *Policy*

Under the new arrangements, 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 course discipline, for each student holding a supported place and will set maximum student contribution levels. Institutions, in setting student contribution levels, 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.

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 not change. 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 initially be set at 30 per cent above the existing rates for the three HECS Band levels and 15 per cent for the new 'National Priorities' band. There will be no set minimum student contribution limits and institutions in setting course fees for Commonwealth supported places will be able to set student contribution levels as low as they like.

A new 'National Priorities' Student Contribution HECS band will be established and initially set at \$3,213 per year (indexed) from 2005. Institutions will be able to set the student contribution for this band up to only 15 per cent higher, 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. This will be used to attract students to courses that are a national priority for the Government. The disciplines covered by this band may change from time to time.

Students in non-research Commonwealth supported places will initially be entitled to a maximum of five years equivalent full-time study. This will provide more opportunities for Australian students to gain access to a Commonwealth supported higher education place as

CABINET - IN - CONFIDENCE

20 of 74



## CABINET - IN - CONFIDENCE

new entrants occupy places freed by students who have exhausted their entitlement. The five year entitlement may be extended where a student is undertaking a degree for which the standard enrolment period is beyond five years (e.g. medicine or double degrees with honours). To encourage life-long learning, students will accrue entitlements over time, in addition to their initial five year entitlement.

Only Australian citizens will be able to defer their student contributions through HECS - HELP. Permanent residents and New Zealand citizens will be able to hold a Commonwealth supported higher education place but will no longer have access to HECS loans. These new arrangements will require permanent residents and New Zealand citizens to pay their student contribution in an up-front payment without a discount. The Department will also investigate options regarding the collection of HECS repayments from debtors who are working overseas.

The HECS repayment thresholds will be amended. 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. The discount offered to students who pay their student contribution up-front will be reduced 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 able to pay their contribution up-front. To make further savings, while ensuring that the option early repayment remains attractive to students, the bonus for voluntary repayments will also be reduced by five per cent to a new rate of 10 per cent.

### Fee-paying – Higher Education Loan Programme (F-HELP)

#### *Policy objective*

There is more demand for higher education and for particular higher education courses than can be met by the Higher Education Contribution Scheme (HECS). 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, prevents student choice, sector growth, lifelong learning and private investment in higher education.

#### *Policy*

A loan scheme, to be known as F-HELP, will provide an income contingent loan facility for eligible students who are enrolled in full fee-paying courses. F-HELP will provide a loan up to the amount of the full tuition fee charged for the course they are undertaking up to a limit of \$50,000. It will absorb the current Postgraduate Education Loan Scheme (PELS), Open Learning Deferred Payment Scheme (OLDPS) and Bridging for Overseas-Trained Professionals Loan Scheme (BOTPLS).

CABINET - IN - CONFIDENCE

21 of 74



## CABINET - IN - CONFIDENCE

Australian citizens wishing to undertake eligible fee-paying higher education courses at eligible institutions will be able to apply for an F-HELP loan. Australian permanent residents undertaking a bridging course specifically for overseas trained professionals, which enables them to meet the requirements for entry into their profession in Australia, will also be able to apply for an F-HELP loan.

Under F-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 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. F-HELP repayments will **not** be tax deductible.

Following introduction of the F-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. To the extent that students opt into a fee paying course of their preference, utilising F-HELP, they will free up a HECS place for another student.

### Educational Costs – Higher Education Loans Programme (E-HELP)

#### *Policy objective*

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.

#### *Policy*

An income contingent loans programme for educational costs, to be known as E-HELP, will be introduced. 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.

Under E-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 cost

CABINET - IN - CONFIDENCE

22 of 74

## CABINET - IN - CONFIDENCE

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. E-HELP repayments will **not** be tax deductible.

### *Regional 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.

### *Impact Statement*

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

### Overseas Study – Higher Education Loans Programme (OS-HELP)

#### *Policy objective*

Current rates for our domestic 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 numbers 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.

#### *Policy*

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 their 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

CABINET - IN - CONFIDENCE

23 of 74



## CABINET - IN - CONFIDENCE

the first year, 2005, increasing to a total of 10,000 loans per year by 2008. Loans would be distributed between eligible institutions on a performance basis where success in providing opportunities for students to undertake overseas study will be measured against other institutions.

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 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.

### Higher Education Information Management System (HEIMS)

#### *Policy objective*

The higher education reforms resulting from the 2002 review of higher education include 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 higher education and vocational education and training 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).

CABINET - IN - CONFIDENCE

24 of 74

## CABINET - IN - CONFIDENCE

### *Policy*

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, F-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 is 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 Learning and Teaching Performance Fund, which uses student outcomes as indicators of teaching and learning quality, will not be possible without a system like HEIMS and an identifier such as the CHESSN.

The Financial and Programme Management Module of HEIMS will provide institutions with one entry point for all data associated with financial management and accountability

CABINET - IN - CONFIDENCE

25 of 74



## CABINET - IN - CONFIDENCE

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 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.

### *System expenses*

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.

### Cost

#### Budget Impact – Student Financing

<b>Commonwealth Education Costs Scholarships (CECS)</b>		
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	-5.0	-2.5
2004-05	-15.4	-10.2
2005-06	-26.2	-20.8
2006-07	-37.7	-31.9
Total	-84.3	-65.4
<b>Commonwealth Accommodation Costs Scholarships (CACS)</b>		
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	-7.5	-3.8
2004-05	-23.1	-15.3
2005-06	-39.4	-31.2
2006-07	-56.5	-47.9
Total	-126.4	-98.1
<b>Australian Postgraduate Awards (APA)</b>		
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	0.0	0.0
2005-06	-0.2	-0.1
2006-07	-0.6	-0.4
Total	-0.8	-0.5

CABINET - IN - CONFIDENCE

26 of 74

CABINET - IN - CONFIDENCE

	HECS – HELP	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	+17.3	+6.1
2005-06	+21.2	+6.4
2006-07	+24.4	+1.9
Total	+62.9	+14.4
	F – HELP	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	+18.7	0.0
2005-06	+51.8	+0.2
2006-07	+79.5	+1.3
Total	+150.0	+1.4
	E – HELP	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	+26.3	0.0
2005-06	+56.0	0.0
2006-07	+62.9	0.0
Total	+145.3	0.0
	OS – HELP	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	+3.8	0.0
2005-06	+11.8	0.0
2006-07	+21.0	0.0
Total	+36.6	0.0
	HEIMS	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	-4.3	-2.1
2004-05	-5.4	-4.8
2005-06	-5.1	-5.3
2006-07	-5.3	-5.2
Total	-20.2	-17.5
	Implementation Oncosts	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	-12.3	-6.2
2004-05	-6.4	-9.4
2005-06	-6.6	-6.5
2006-07	-6.7	-6.6
Total	-32.0	-28.6

CABINET - IN - CONFIDENCE



CABINET - IN - CONFIDENCE

	<b>Promotion</b>	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	-1.7	-0.8
2004-05	-0.6	-1.2
2005-06	-0.7	-0.7
2006-07	-0.7	-0.7
Total	-3.6	-3.3

Copy No. 57

CABINET - IN - CONFIDENCE

**PERFORMANCE AND INCENTIVE FUNDING***Policy objectives*

The current funding and regulatory regime has encouraged a one-size-fits-all model, where most universities aspire to be research-intensive, comprehensive institutions. Australia needs a high quality sector with a diverse range of institutions serving different students and communities. It is proposed to promote diversity through the creation of performance-based incentives for institutions to differentiate their missions. The review identified a number of sector-wide issues which need to be addressed in order to ensure the ongoing contribution of higher education to Australia's economic and social development. These issues include deficiencies in the quality of learning outcomes and the need for improved research outcomes. A number of performance-based measures are proposed to address these issues.

Teaching*Policy objectives*

Past regulation and funding of higher education institutions have not supported excellence in teaching. Although teaching is recognised as a core activity of all institutions, teaching performance is not recognised in Commonwealth funding; university teachers are not required to obtain a teaching qualification; information on institutional teaching performance is not readily accessible to prospective students and their parents; and there is no organisation to provide a national focus for the enhancement of learning and teaching in higher education. Promoting the value and quality of teaching and scholarship through proactive measures that inform, encourage, and reward teaching excellence will enable institutions to choose to specialize in these areas. An increased focus on the quality of learning and teaching will help to ensure the ongoing high quality of the Australian higher education sector.

*Policies*

A National Institute for Learning and Teaching in Higher Education will be established to provide a national focus for the enhancement of teaching and learning in Australian higher education institutions and to 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;
- 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;



## CABINET - IN - CONFIDENCE

- coordination of a revised version of the Australian Awards for University Teaching, including the Awards presentation event; and
- secretariat function to the Australian Universities Teaching Committee or its successor.

The Australian Awards for University Teaching will be revised to further heighten the status of teaching and support the centrality of teaching in institutional missions by increasing the number and size of rewards to teachers who demonstrate excellence in teaching.

In 2001, six individuals, one team and three institutions shared eleven awards, with the largest award valued at \$75,000. 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.

The quality of university teachers will be improved by encouraging the next generation of teachers to undertake formal teaching qualifications. The academic workforce has traditionally been drawn from doctoral research programmes. Although these programmes prepare academics for their roles as scholars and researchers, very few will receive training or a formal qualification in teaching or research commercialisation before embarking on these activities. Most university places occupied by doctoral research students are supported by the Commonwealth through the Research Training Scheme (RTS). The RTS will be supplemented to allow doctoral students to undertake a formal qualification in tertiary teaching or a qualification in research commercialisation.

A Learning and Teaching Performance Fund will be established to 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 reinforce 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 across a range of specified criteria. 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 such elements as student progress and graduate employment outcomes. Consultations with the sector will be required to derive indicators of learning and teaching quality and outcomes that are valid and practicable. Funds would be allocated only to those institutions that performed above average for the sector.

CABINET - IN - CONFIDENCE

30 of 74

## CABINET - IN - CONFIDENCE

### Research

#### *Policy objectives*

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. 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 Institutional Grants Scheme (IGS), which is the key research performance fund for Australian public higher education institutions. Many submissions to the Review argued that 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 1990-01, 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%. In addition, recent policy changes to university research funding remain unevaluated and unknown; the organisation of expensive public research infrastructure is uncoordinated and unlikely to be efficiently employed; universities that achieve the most success in receiving project-based funding are forced to subsidise these projects from funds intended for other important university activities, because project funds fail to cover essential costs; there is no funded growth planned for the training of researchers, which will undermine aspirations for national research and innovation, and reduce the number of research training opportunities per capita; and the importance of research in areas other than science, engineering and technology has been somewhat neglected.

#### *Policies*

The research undertakings of public higher education institutions are supported through the IGS and the Research Infrastructure Block Grants (RIBG). In each of the programmes, funds are allocated according to a variety of research output indicators. The IGS and RIBG will be rationalised into 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. This new Research Performance fund will be increased by \$114.1 million per year by 2008 to enhance the research capabilities of Australian universities in areas of research strength.

The Commonwealth supports the education of students undertaking research masters and research doctorates under the Research Training Scheme (RTS). No growth was factored into the RTS when it was introduced in 1999. The RTS will be increased to accommodate the expanding need for a highly trained academic and research and development workforce by increasing places available in accordance with expected population growth.

A 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

CABINET - IN - CONFIDENCE

31 of 74



## CABINET - IN - CONFIDENCE

validity of current research performance indicators, their weightings in the performance formula and their effect on particular disciplines, universities and student groups. A Research Infrastructure Taskforce will run concurrently with, and be informed by, this evaluation. Researchers will increasingly need access to high quality infrastructure in order to carry out high quality research. The impact will not be 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.

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.

Funding for the Australian Research Council (ARC) will double by 2006 under *Backing Australia's Ability*. In part, these funds were specified to be used to "double the funding available for specific research projects in both basic and applied/collaborative research, to substantially improve grant application success rates and average grant sizes".

During the Review, concerns were expressed by institutions successful at winning ARC grants that grant sizes are not sufficient to cover costs of the research the ARC sponsors, and that operating grants are being used to cross-subsidise this research. This cross-subsidisation is particularly burdensome for universities most successful in obtaining ARC grants. This fails to support Commonwealth objectives for sectoral specialisation and diversity where institutions should be encouraged for building on their strengths. 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 research grants. In addition, the *Australian Research Council Act 2001* will be amended to improve the governance and administration of grants under the National Competitive Grants Programme. The proposed amendments would facilitate a reduction in red tape associated with grant administration, both within the higher education and industry partner sectors and within the Education, Science and Training portfolio.

The current Cooperative Research Centres programme focuses 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 be established from 2006 to enhance 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

CABINET - IN - CONFIDENCE

32 of 74



## CABINET - IN - CONFIDENCE

community. In particular, they will focus on emerging creative industries and the expansion of digitally based creative content.

To drive a greater focus on the commercialisation and application of research from Publicly Funded Research Agencies (PRAs) and to identify and exploit potential synergies between PRAs (such as the 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 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. I further propose amalgamating the Australian Institute of Marine Science with James Cook University with the aim of creating a world class centre for marine biology following consultation with the Queensland Government.

Two higher education programmes, the Systemic Infrastructure Initiative and the Research Infrastructure Block Grants Scheme, both supported by Backing Australia's Ability, do not have funding approved beyond 2005/2006. 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 \$176.9 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.

### Equity

#### *Policy objectives*

Access to education is a critical element in assuring the social, physical, emotional and economic wellbeing of individuals. While there have been notable equity gains in higher education participation, some sections of the Australian population remain underrepresented among students and graduates. The sector needs to be further supported in its moves to reduce participation inequities with appropriate financial support, culturally appropriate and responsive policy, clear directives on equity programmes, and performance-based rewards for success.

#### *Policies*

Despite improvements over the last decade, 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.

The ISF will be increased to enable institutions to invest further in increasing the participation and success of Indigenous people in higher education, and to reward institutions for achieving positive outcomes for Indigenous students. Minimum requirements will be established for

CABINET - IN - CONFIDENCE

33 of 74



## CABINET - IN - CONFIDENCE

eligibility for ISF funding to ensure that measures deemed most important in improving Indigenous outcomes are undertaken across all institutions in receipt of ISF funding.

A scholarship programme will be established for Indigenous staff (academic or general) who have actively encouraged Indigenous students to participate in higher education and complete their courses. The scholarships will enable staff to take one year of leave from their university employment to undertake full-time higher education study in their chosen academic or professional area, both as a "reward" for their commitment to assisting students in higher education and to enhance their own academic/professional standing. The programme will reduce the cultural isolation experienced by many Indigenous people in universities, and promote further successful outcomes.

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 be established which will provide the Minister and the Department with advice on higher education policy. The work of the IHEAC will provide a framework for the improvement of outcomes for Indigenous people in higher education through effective consultation with Indigenous people on policy development and the following activities:

- making recommendations of recipients for Indigenous Staff 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.

In addition to Indigenous Australians, five equity groups 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 to institutional performance. While significant improvements have been made for some of these groups, the participation of other groups remains a concern.

The Department will undertake a review of equity groups and the appropriateness of group membership indicators to ensure that HEEP remains focussed on groups currently experiencing educational disadvantage.

HEEP will be increased to improve institutional capacity to alleviate educational disadvantage. However, block grants will no longer be provided. All HEEP funds will be allocated according to a performance based formula developed as part of the Department's

CABINET - IN - CONFIDENCE

34 of 74

## CABINET - IN - CONFIDENCE

review of equity groups. A performance-based formula will ensure that institutions remain focused on improving outcomes for equity groups. As for the Indigenous Support Fund, institutions will be required to meet minimum requirements for eligibility to ensure that measures deemed most important in improving equity outcomes are undertaken across all institutions in receipt of HEEP funds.

The existing Students with Disabilities Programme assists public higher education institutions meet the costs of students with disabilities who have high cost needs. Funding will be increased to support institutions that invest in infrastructure and services that enable better access to, and success in, higher education for people with disabilities.

Equity targeted learning scholarships are proposed as part of the student financing reforms for this package, with details and costings available in Attachment D.

Evidence is emerging that people from low socio-economic (SES) backgrounds are debt averse, and that this may be a significant factor in the persistence of low participation rates among this group. These students need to be better informed about the utility of HECS as a means of accessing higher education, without significant financial burden either at the point of entry, or thereafter when making repayments.

An educational campaign will be established to better inform people from low socio-economic backgrounds about the benefits of higher education and the utility of HECS as a means of achieving it. The campaign will be particularly directed toward students in their last few years of secondary school, but will also have some presence in publications used by all people contemplating higher education study.

There will also be scope for collaborative equity initiatives through the Collaboration and Innovation Fund, in particular, initiatives that focus on outreach to schools and VET sectors.

### *Regional impact*

Increased Indigenous Support Funding: 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.

### E3.11 Impact Statement – Increase Indigenous Support Funding

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

CABINET - IN - CONFIDENCE

35 of 74



## CABINET - IN - CONFIDENCE

Indigenous Higher Educational Advisory Council: 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.

### Impact Statement - Indigenous Higher Education Advisory Council

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

Higher Education Equity Programme: 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.

### E3.39 Impact Statement – Modify Higher Education Equity Programme

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

### Governance and Workplace Relations

#### *Policy objectives*

Enterprise bargaining was introduced to the higher education sector in 1993, to enable public higher education institutions to develop management strategies that are responsive to each institution's unique operating environment. However, the capacity of public higher education institutions to engage in effective enterprise bargaining has been constrained by the centrally-determined, pattern-bargaining approach of the National Tertiary Education Union, of which only a minority of university employees are members. Relative uniformity in staff pay and

CABINET - IN - CONFIDENCE

36 of 74

## CABINET - IN - CONFIDENCE

conditions for all but senior management has resulted in Australian universities finding it difficult to retain their best staff, who are easily attracted overseas or into other professions. Whilst most public higher education institutions have introduced performance management schemes, the evidence suggests that the majority are limited in their ability to address unsatisfactory performance or reward superior performance. It is ultimately the responsibility of university management to ensure performance management systems are consistent with the needs of the institution. However, improved performance management should be encouraged throughout the sector. Under the *Workplace Relations Act 1996*, higher education employees, like all employees, are permitted to undertake industrial action after the expiry of their current agreement. In some cases, this industrial action has taken the form of withholding of students' examination results. This prevents students from providing results to potential employers, hinders the re-enrolment process and does not constitute fair and reasonable industrial action. It is not clear that all universities have adhered to the provisions of the *Workplace Relations Act 1996*, particularly in relation to strike pay.

One of the areas of concern identified during the Review was the need for improved governance arrangements in institutions. Whilst governance remains a State/Territory issue in all but two of the self-accrediting higher education institutions (Australian National University and Australian Maritime College), there is limited influence the Commonwealth can have over governance. However, the Commonwealth could work with the States and Territories to develop a set of National Protocols for Governance and Accountability to ensure that the institutions are not burdened by cumbersome and inappropriate governance arrangements. There is also limited professional development available for the 800 members of university governing bodies. Some of these people are students and staff, others are drawn from the broader community. Practice in relation to orientation or induction of new members of governing bodies and their continued professional development, varies considerably across the sector. Whilst there have been recent attempts to coordinate professional activities for members of governing bodies (recent conferences on university governance), there is an identified need for the establishment of an organisation that would take responsibility for regular professional development activities for those serving as members of university governing bodies.

### *Policies*

A number of initiatives are proposed to signal the Government's intent to elevate the importance of governance and workplace relations in higher education.

- (a) The Commonwealth will work with the States and Territories to develop a set of National Protocols on Governance and Accountability. If the States and Territories do not cooperate in this endeavour, the Commonwealth will establish its own set of protocols.
- (b) A Workplace Productivity Programme will be established to fund supplementation of salaries on the condition that certain benchmarks are met. These may change over time but would initially be:
  - demonstrated adherence to the National Protocols on Governance and Accountability; and
  - an established mechanism for genuine performance-pay which ensures that the distribution of rewards reflect measurable performance outcomes rather than salary supplementation for the entire workforce.
  - reports by institutions on their proposed workplace reform initiatives and progress in implementing workplace reform.

CABINET - IN - CONFIDENCE

37 of 74



## CABINET - IN - CONFIDENCE

(c) In conjunction with the Minister for Employment and Workplace Relations, it is proposed to amend 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 affect particularly vulnerable third parties.

(d) A joint letter from the Ministers for Employment and Workplace Relations and Education, Science and Training would be sent to the vice-chancellors to remind them of their responsibilities under the *Workplace Relations Act 1996*, in particular in relation to the payment of strike pay. This letter would also outline strategies for more appropriate approaches to enterprise bargaining and would be the first stage of providing the sector with information about and strategies to achieve workplace reform.

(e) 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.

Together these initiatives will transform the workplace relations environment facing higher education managers.

### Collaboration and Innovation

#### *Policy objectives*

During the review, a number of higher education stakeholders called for greater collaboration between universities and other education providers, industry, business, regions and communities, to promote innovative cross-sectoral activities and efficient use of resources. Collaboration between individual higher education institutions can promote survival of low-demand but nationally or regionally important courses. Cross-sectoral collaboration between sectors of the education and training system can result in efficient delivery of education and seamless pathways for students. Universities, particularly those in regional areas, have a significant role in the economic and social life of their communities, beyond their immediate educational role, and should be encouraged to collaborate with their local communities. Close relationships with business and industry ensure graduates are prepared for the labour market and that the commercial potential of research and innovation is maximised. The costs of collaboration may deter universities from becoming involved in these sorts of activities. There are currently few incentives in terms of funding or support for the creation and sustenance of collaborations or partnerships between individual higher education institutions or with other organisations. The incentives that do exist are in research and development, such as the Australian Research Council's Linkage programme.

#### *Policies*

A Collaboration and Innovation Fund will be established to 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 will initially be:

- course provision between two or more institutions that results in maintenance of low demand but nationally or regionally important subjects/courses;

CABINET - IN - CONFIDENCE

38 of 74



## CABINET - IN - CONFIDENCE

- course provision between universities that results in greater specialisation;
- course provision (or area related to teaching and learning) between universities and vocational education and training provider/s;
- university collaboration with their communities, particularly but not exclusively regional communities; and
- universities' collaboration with business/industry/employers or professional associations.

Funds for innovation will ensure that the Minister can provide support for one-off or short-term innovations in the sector.

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. 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.

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.

### *Regional impact*

Collaboration and Innovation Fund: 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 educational precincts 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.

CABINET - IN - CONFIDENCE

39 of 74



# CABINET - IN - CONFIDENCE

## E5.11 Impact Statement – Collaboration and Innovation Fund

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

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

Ministerial Council for Business/Industry/University Collaboration: One of the initial priorities for the Council is the 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.

## Impact Statement – Ministerial Council for Business/Industry/University Collaboration:

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

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

## Quality

### *Policy objectives*

Australia is internationally reputed to have a very high quality higher education sector. The quality of the sector must be maintained so that the Australian labour market comprises people with the skills and abilities to ensure the Australian economy remains globally competitive. Quality also needs to be maintained to protect and grow Australia's position in education export markets. It is imperative, given the expanded choice that will be available to prospective students as a result of other initiatives in this reform package, that information about the relative strengths of institutions be readily accessible. Employers should also have access to ready and standardised information about the capabilities of recent graduates.

CABINET - IN - CONFIDENCE

40 of 74

## CABINET - IN - CONFIDENCE

### *Policies*

The Commonwealth currently contributes \$500,000 a year to the Australian Universities Quality Agency (AUQA) under a MCEETYA formula for State/Territories/Commonwealth contributions. AUQA will require additional funds to fulfil its objectives and, in particular, to fund audits of overseas provision by Australian higher education institutions. 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 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.

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, although its potential uses extend beyond its initial purpose. The test has diagnostic potential for students entering university and a comparison of scores for students at entry and exit would give an indicator of the value added by their university experience. There is also a potential market for out of cycle tests to be run for specific purposes for universities and employers. Motivating students to take the test has proved problematic and universities have been reluctant to put resources into administering a test that students do not want to take. 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 will be established to promote the test to employers and support its use in selection processes, which would raise the profile of the instrument. This will help to create a culture in which graduates entering employment would be encouraged 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.

### Capital Development Pool

#### *Policy objective*

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

CABINET - IN - CONFIDENCE

41 of 74



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. A discretionary Capital Development Pool 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 it is proposed will be increased by \$9.7 million from 2006, given that the CDP is currently oversubscribed fourfold. Increased Commonwealth funding would provide greater opportunities to leverage contributions from other governments, encourage greater support for a number of priorities for capital development in the sector and ensure that infrastructure matches the demands of an accessible, sustainable and high quality higher education sector.

#### *Policy*

Funding for the Capital Development Pool (CDP) will be increased. Funding 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. 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 appropriate. Projects that attract matching 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 a "contract" with the Commonwealth for strategic course provision on a rolling triennium. A CDP round would 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.

#### *Regional 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.

# CABINET - IN - CONFIDENCE

## Impact Statement – Capital Development Pool

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

N=Negative

P=Positive

NT=Neutral

NA=Not Applicable

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

## Taxation Issues

### *Policy objective*

Industry has suggested that more favourable taxation arrangements could result in additional income to universities from employer-sponsored training and philanthropic donations. A review of current arrangements would establish whether there are impediments to private investment in, and philanthropic donations to, higher education institutions, and suggest ways in which they can be redressed.

### *Policy*

Australian universities receive donations and bequests of about \$120 million each year. This represented less than 1.3 per cent of their total income in 2000, and this proportion has declined over recent years. This contrasts with the situation in the US, where this form of income represents an increasing proportion of income and a major source of funds to support academic activities and capital infrastructure for these universities. The US provides generous taxation incentives for donations and bequests to qualified organisations, and a number of submissions to the Review called for changes to Australia's taxation regime to encourage greater support for universities. In its White Paper on higher education released in January 2003, the United Kingdom acknowledges that the way for their higher education sector to become less dependent on any single source of funding is through developing larger endowment funds. In addition to establishing a taskforce to encourage change in the culture in the UK, they propose to establish a time limited, matched endowment fund to match funding donated to universities. Tax concessions have been suggested as a means of encouraging employers to work with universities to develop customised courses for their employees and to pay for their employees to undertake university study. It would therefore be useful to investigate taxation regimes in Australia and comparable overseas countries and, if appropriate, to recommend changes to current arrangements to promote philanthropic donations, private investment in research and development and employer-sponsored training in universities. It is proposed that this issue be referred to the Treasurer.

CABINET - IN - CONFIDENCE

43 of 74



# CABINET - IN - CONFIDENCE

## Cost

### Budget Impact – Performance and Incentive

<b>Teaching</b>		
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	0.0	0.0
2005-06	-93.2	-46.6
2006-07	-123.1	-108.1
Total	-216.3	-154.7
<b>Research (excluding continuation of BAA funding)</b>		
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	0.0	0.0
2005-06	-36.6	-18.3
2006-07	-74.1	-55.4
Total	-110.7	-73.7
<b>Continuation of BAA funding</b>		
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	0.0	0.0
2005-06	0.0	0.0
2006-07	-176.9	-88.4
Total	-176.9	-88.4
<b>Equity</b>		
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	-0.4	-0.2
2004-05	-5.4	-2.9
2005-06	-7.3	-6.4
2006-07	-9.2	-8.2
Total	-22.3	-17.7
<b>Governance and Workplace Relations</b>		
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	0.0	0.0
2005-06	-27.3	-13.7
2006-07	-27.9	-27.6
Total	-55.2	-41.3
<b>Collaboration and Innovation</b>		
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	-6.5	-3.3
2005-06	-12.1	-9.3
2006-07	-29.1	-20.6
Total	-47.8	-33.2

CABINET - IN - CONFIDENCE

44 of 74

National Archives of Australia

NAA: A14370, JH2003/29

CABINET - IN - CONFIDENCE

	<b>Quality</b>	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	-0.9	-0.4
2005-06	-0.9	-0.9
2006-07	-0.9	-0.9
Total	-2.6	-2.2
	<b>Capital Development Pool</b>	
	Impact on fiscal balance - \$m	Impact on underlying cash balance - \$m
2003-04	0.0	0.0
2004-05	0.0	0.0
2005-06	-9.7	-4.8
2006-07	-9.9	-9.8
Total	-19.5	-14.6

CABINET - IN - CONFIDENCE

45 of 74

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**HIGHER EDUCATION REFORM 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 Senior Ministers' Review (SMR) Minute (JH02/0491/SM) dated 12 December 2002 requested that a submission to Cabinet be presented outlining a fully costed set of proposals including:

- a preferred package (Option 1);
- a package building to an impact of not more than \$200 million in 2003-04 and \$400 million in 2006-07 (Option 2); and
- a package with zero financial impact in 2003-04 building to a maximum of \$150 million in 2004-05 and ongoing (Option 3).

Three funding packages have been developed in accordance with the SMR request. The long-term financial impact of each of these options is presented in Attachment H.

The preferred reform package (Option 1) has been presented in detail throughout this submission. This option will achieve reform in the sector and will ensure 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. This option 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 preferred reform package. An 'x' indicates the implementation timing for each initiative. Differences between the preferred package, Option 2 and Option 3 are outlined below the table.

**Preferred Package - Implementation Schedule**

*Table F1 - Implementation Schedule*

	2003	2004	2005	2006
<b>Commonwealth Grant Scheme</b>				
Regional loading		x		
National priorities (Nursing)		x		
Marcus Oldham buyout		x		
National priorities (Teaching)			x	
Conversion of marginal places and growth funding			x	
Transitional Fund			x	
Institutions funded according to agreed number of places and discipline mix			x	

## CABINET - IN - CONFIDENCE

	2003	2004	2005	2006
Ceiling on undergraduate fee payers raised to 50 per cent			x	
Remove restrictions on postgraduate fee payers			x	
Amendments to arrangements for industry supported places			x	
Increased Commonwealth contribution to course costs			x	
Institutions to set own course fees			x	
Student Learning Entitlement			x	
Variable student contributions			x	
<b>Student Financing</b>				
Commonwealth Education Costs Scholarships (CECS)		x		
Commonwealth Accommodation Costs Scholarships (CACS)		x		
Amended HECS arrangements			x	
E-HELP			x	
OS-HELP			x	
F-HELP			x	
Growth in Australian Postgraduate Awards (APA)				x
<b>Performance and Incentive Funding</b>				
<i>Teaching</i>				
National Institute for Learning and Teaching in Higher Education (NILTHE)	\$0.4m AUTC	\$1m HEIP	\$1m HEIP	x
Revised Australian Awards for University Teaching				x
Research Training Scheme (RTS) supplement for professional development				x
Learning and Teaching Performance Fund (LTPF)				x
<i>Research</i>				
Knowledge and Innovation evaluation	\$0.1m HEIP			
Research Infrastructure Taskforce	\$0.1m HEIP			
Taskforce to examine closer collaboration between universities and major publicly funded research agencies and investigate alternative funding models for the national research effort.	x			
ARC to fund Chief Investigator Salaries		x		
Amendments to the <i>ARC Act 2001</i> to improve the governance and administration of grants		x		
Research Performance Fund – rationalisation of IGS and RIBG				x
Research Training Scheme (RTS) growth				x
Cooperative Centres for Applied Scholarship in Humanities, Arts and Social Sciences Centre for Humanities				x

CABINET - IN - CONFIDENCE

47 of 74



# CABINET - IN - CONFIDENCE

	2003	2004	2005	2006
<i>Equity</i>				
Indigenous Higher Education Advisory Council (IHEAC)	\$0.05m HEIP			
Indigenous staff scholarships		x		
Indigenous Support Funding (ISF) increased			x	
Higher Education Equity Program (HEEP) modified and increased			x	
Disabilities program			x	
<i>Governance</i>				
Association of Governing Bodies of Australian Universities (AGBAU) professional development	\$0.2m HEIP			
Amend Workplace Relations Act to disallow protected action during bargaining periods		x		
Workplace Productivity Program				x
<i>Collaboration and Innovation</i>				
Council for the Humanities, Arts and Social Sciences	\$0.2m HEIP			
Ministerial Council for Business-Industry-University Collaboration		\$0.1m HEIP		
Collaboration and Innovation Fund			x	
Capital Development Pool				x
<i>Quality</i>				
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	
<b>Implementation and Other Initiatives</b>				
Higher Education Information Management System (HEIMS)		x		
Implementation on-costs for public institutions & DEST to implement		x		
Additional costs for promotion		x		

In addition, continued funding of two current higher education programmes, the Systemic Infrastructure Initiative and the Research Infrastructure Block Grants Scheme, both supported by Backing Australia's Ability, will be provided in 2007 to ensure ongoing support.

Option 2 delays and modifies the implementation of key initiatives and forces the deletion of a number of crucial programmes including the increased Commonwealth Grant Scheme. It is not possible within this funding envelope to ensure long term sustainability or the necessary reforms of the sector. This option attempts to address some reforms of the sector but does not address one of the major findings of the review, the need for additional Commonwealth support. It is evident that without increased support for the increased cost of course delivery, as outlined earlier in this submission, some institutions will face significant financial challenges. Using Option 1 as the base the summary below indicates the differences in terms of reform initiatives between Option 1 and Option 2.

CABINET - IN - CONFIDENCE

48 of 74

## CABINET - IN - CONFIDENCE

### *Option 2 - Deleted Programmes*

- Increased Commonwealth Grant Scheme
- Cooperative Centres for Applied Scholarship
- Australian Postgraduate Awards growth
- Research Training Scheme Growth
- Research Training Scheme Supplementation
- Continued funding in 2007 for the Systemic Infrastructure Initiative and the Research Infrastructure Block Grants Scheme
- Research Training Scheme Supplementation
- Increased AUTC Teacher awards
- Workplace Productivity Programme
- Increases to Capital Development Pool

### *Option 2 - Modified Programmes*

- Delay first year of National Priorities – Nursing to 2005
- Delay first year of Educational Costs Scholarships to 2005, and halve thereafter
- Delay first year of Accommodation Scholarships to 2005, and halve thereafter
- Decreased Learning and Teaching Performance Fund - \$91.3 million by 2008

### *Option 2 - Retained Programmes*

- Transition
- Regional loading
- Conversion of marginal places and growth
- National Institute of Learning and Teaching in Higher Education
- Research Performance Fund
- All Equity programmes
- All Collaboration and Innovation programmes
- All Quality programmes
- Higher Education Information Management System (HEIMS)
- Implementation Oncosts
- Promotion
- Marcus Oldham buyout
- Loans and fee deregulation

Option 3 is not a viable proposition for the sustainable reform of the Higher Education sector. As the small funding envelope does not allow for the introduction of a wide range of measures that would be necessary to achieve even partial reform of the sector, this option has been developed to ensure some short-term sustainability of the public higher education sector.

CABINET - IN - CONFIDENCE

49 of 74



## CABINET - IN - CONFIDENCE

Funding under this option is directed into the Commonwealth Grant Scheme, Regional loading and Student financing initiatives to ensure that all public institutions will gain some benefit from any increased funding available to the sector. This proposal is likely to be rejected outright by the sector, and be seen as mere deregulation of higher education without any consideration of the long term reform of the sector or the viability of particular institutions. This option will not facilitate any cultural change within the sector.

Using Option 1 as the base, the summary below indicates the differences in terms of reform initiatives between Option 1 and Option 3.

### *Option 3 - Deleted Programmes*

- Conversion of marginal places and growth
- National Priorities – Teaching
- National Priorities – Nursing
- Commonwealth Educational Costs Scholarships
- Commonwealth Accommodation Scholarships
- Australian Postgraduate Awards growth
- Learning and Teaching Performance Fund
- Increased AUTC Teacher awards
- Research Training Scheme Supplementation
- National Institute of Learning and Teaching in Higher Education
- Research Performance Fund
- Continued funding in 2007 for the Systemic Infrastructure Initiative and the Research Infrastructure Block Grants Scheme
- Cooperative Centres for Applied Scholarship
- Research Training Scheme Growth
- Workplace Productivity Programme
- All Equity programmes
- All Collaboration and Innovation programmes
- All Quality programmes
- Increases to Capital Development Pool

### *Option 3 - Modified Programmes*

- Increased Commonwealth Grant Scheme – 5 per cent increase in grant

### *Option 3 - Retained Programmes*

- Regional loading
- Higher Education Information Management System (HEIMS)
- Implementation Oncosts

CABINET - IN - CONFIDENCE

50 of 74

CABINET - IN - CONFIDENCE

- Promotion
- Marcus Oldham buyout
- Loans and fee deregulation

Copy No. 57

CABINET - IN - CONFIDENCE

51 of 74



**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 G1 – Funding Clusters*

<b>Standard Funding Cluster</b>	<b>Disciplines within Cluster</b>	<b>Commonwealth Contribution</b>
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

<b>National Priority Funding Cluster</b>	<b>Commonwealth Contribution</b>
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 G1). This particular change would target students undertaking studies in Commerce and Management disciplines. The immediate result of this change would be a 39 per cent reduction in the Commonwealth's contribution to these

# CABINET - IN - CONFIDENCE

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 affected by such changes (See Table G2). 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 G2 – 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%
Central Queensland University	\$44.96	\$44.01	-\$0.95	-2.1%

CABINET - IN - CONFIDENCE

53 of 74



# CABINET - IN - CONFIDENCE

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%
<b>TOTAL</b>	<b>\$2,702.27</b>	<b>\$2,646.51</b>	<b>-\$55.76</b>	

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.

<b>Fiscal Balance</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2003-04 to 2006-07</b>
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
<b>Difference</b>	<b>0.00</b>	<b>59.62</b>	<b>62.39</b>	<b>65.27</b>	<b>187.28</b>

<b>Underlying Cash</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2003-04 to 2006-07</b>
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
<b>Difference</b>	<b>0.00</b>	<b>29.80</b>	<b>61.00</b>	<b>63.83</b>	<b>154.63</b>

CABINET - IN - CONFIDENCE

54 of 74

## LONG-TERM FINANCIAL IMPACT OF OPTIONS 1, 2 AND 3

## Detailed costings for each option

## Option 1 – Fiscal Balance (outturn prices)

	2003-04	2004-05	2005-06	2006-07	2003-04 to 2006-07
	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>					
Commonwealth Grant Scheme	0.00	-56.23	-128.44	-203.82	-388.49
Transition	0.00	-12.76	0.00	0.00	-12.76
Regional Loading	-27.91	-30.28	-31.45	-32.89	-122.53
National priorities - teaching	0.00	-60.26	-61.59	-62.95	-184.79
National priorities - nursing	-21.59	-23.67	-25.42	-26.92	-97.60
Growth Places	0.00	-64.75	-118.60	-174.85	-358.20
<b>Student Support</b>					
Educational Costs Scholarships	-5.00	-15.37	-26.23	-37.65	-84.25
Accommodation Scholarships	-7.50	-23.05	-39.35	-56.47	-126.37
Australian Postgraduate Awards	0.00	0.00	-0.21	-0.58	-0.79
<b>Performance and Incentive funding</b>					
Teaching	0.00	0.00	-93.15	-123.12	-216.27
Research	0.00	0.00	-36.60	-74.10	-110.70
Equity	-0.42	-5.43	-7.27	-9.18	-22.30
Governance	0.00	0.00	-27.32	-27.92	-55.24
Collaboration & Innovation	0.00	-6.51	-12.12	-29.14	-47.76
Quality	0.00	-0.86	-0.87	-0.89	-2.62
<b>Other initiatives</b>					
* HEIMS	-4.26	-5.43	-5.13	-5.33	-20.15
CDP	0.00	0.00	-9.66	-9.87	-19.53
* Implementation Oncosts	-12.29	-6.41	-6.56	-6.70	-31.96
* Promotion	-1.67	-0.64	-0.66	-0.67	-3.64
Marcus Oldham Buyout	-2.09	0.00	0.00	0.00	-2.09
Systemic Infrastructure Initiative	0.00	0.00	0.00	-58.36	-58.36
Research Infrastructure Block Grants	0.00	0.00	0.00	-118.52	-118.52
<b>Student loans</b>					
HECS	0.00	17.28	21.22	24.43	62.93
F-Help	0.00	18.72	51.76	79.50	149.98
E-Help	0.00	26.33	56.01	62.94	145.29
OS-Help	0.00	3.75	11.81	21.02	36.57
<b>TOTAL</b>	<b>-82.74</b>	<b>-245.56</b>	<b>-489.82</b>	<b>-872.06</b>	<b>-1690.18</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.



# CABINET - IN - CONFIDENCE

## Option 1 – Fiscal Balance (outturn prices)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2003-04 to 2012-13
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>							
Commonwealth Grant Scheme	-208.31	-212.89	-217.57	-222.36	-227.25	-232.25	-1709.12
Transition	0.00	0.00	0.00	0.00	0.00	0.00	-12.76
Regional Loading	-33.87	-34.92	-36.01	-37.07	-38.20	-39.28	-341.88
National priorities - teaching	-64.33	-65.75	-67.19	-68.67	-70.18	-71.73	-592.65
National priorities - nursing	-27.52	-28.12	-28.74	-29.37	-30.02	-30.68	-272.04
Growth Places	-231.95	-254.45	-278.37	-299.02	-323.08	-343.59	-2088.66
<b>Student Support</b>							
Educational Costs Scholarships	-44.16	-45.38	-46.64	-47.91	-49.19	-50.47	-368.00
Accommodation Scholarships	-66.24	-68.06	-69.95	-71.84	-73.74	-75.66	-551.88
Australian Postgraduate Awards	-1.11	-1.75	-2.35	-2.93	-3.44	-3.95	-16.31
<b>Performance and Incentive funding</b>							
Teaching	-154.37	-157.76	-161.23	-164.78	-168.40	-172.11	-1194.92
Research	-142.28	-149.12	-155.31	-161.73	-167.41	-173.93	-1060.48
Equity	-11.18	-11.42	-11.67	-11.93	-12.19	-12.46	-93.15
Governance	-28.53	-29.16	-29.80	-30.46	-31.13	-31.81	-236.13
Collaboration & Innovation	-52.60	-53.76	-54.94	-56.15	-57.39	-58.65	-381.27
Quality	-0.91	-0.93	-0.95	-0.97	-1.00	-1.02	-8.41
<b>Other initiatives</b>							
* HEIMS	-1.90	-2.27	-2.41	-2.37	-2.08	-2.48	-33.66
CDP	-10.09	-10.31	-10.54	-10.77	-11.01	-11.25	-83.50
* Implementation Oncosts	-6.85	-7.00	-7.15	-7.31	-7.47	-7.64	-75.38
* Promotion	-0.68	-0.70	-0.72	-0.73	-0.75	-0.76	-7.98
Marcus Oldham Buyout	0.00	0.00	0.00	0.00	0.00	0.00	-2.09
Systemic Infrastructure Initiative	0.00	0.00	0.00	0.00	0.00	0.00	-58.36
Research Infrastructure Block Grants	0.00	0.00	0.00	0.00	0.00	0.00	-118.52
<b>Student loans</b>							
HECS	27.83	35.82	44.99	54.95	65.48	76.82	368.80
F-Help	95.11	99.52	103.84	108.05	112.16	116.13	784.80
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
<b>TOTAL</b>	<b>-862.76</b>	<b>-883.14</b>	<b>-906.57</b>	<b>-925.99</b>	<b>-947.34</b>	<b>-965.88</b>	<b>-7181.86</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

# CABINET - IN - CONFIDENCE

56 of 74

# CABINET - IN - CONFIDENCE

## Option 1 – Underlying Cash (outturn prices)

	2003-04	2004-05	2005-06	2006-07	2003-04 to 2006-07
	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>					
Commonwealth Grant Scheme	0.00	-28.11	-92.33	-166.13	-286.58
Transition	0.00	-6.38	-6.38	0.00	-12.76
Regional Loading	-13.96	-29.10	-30.86	-32.17	-106.09
National priorities - teaching	0.00	-30.13	-60.92	-62.27	-153.32
National priorities - nursing	-10.79	-22.63	-24.54	-26.17	-84.14
Growth Places	0.00	-32.38	-91.68	-146.72	-270.78
<b>Student Support</b>					
Educational Costs Scholarships	-2.50	-10.18	-20.80	-31.94	-65.43
Accommodation Scholarships	-3.75	-15.28	-31.20	-47.91	-98.14
Australian Postgraduate Awards	0.00	0.00	-0.10	-0.39	-0.50
<b>Performance and Incentive funding</b>					
Teaching	0.00	0.00	-46.57	-108.14	-154.71
Research	0.00	0.00	-18.30	-55.35	-73.65
Equity	-0.21	-2.93	-6.35	-8.22	-17.71
Governance	0.00	0.00	-13.66	-27.62	-41.28
Collaboration & Innovation	0.00	-3.26	-9.31	-20.63	-33.20
Quality	0.00	-0.43	-0.86	-0.88	-2.18
<b>Other initiatives</b>					
* HEIMS	-2.13	-4.84	-5.28	-5.23	-17.49
CDP	0.00	0.00	-4.83	-9.77	-14.60
* Implementation Oncosts	-6.15	-9.35	-6.49	-6.63	-28.61
* Promotion	-0.84	-1.16	-0.65	-0.66	-3.31
Marcus Oldham Buyout	-1.05	-1.05	0.00	0.00	-2.09
Systemic Infrastructure Initiative	0.00	0.00	0.00	-29.18	-29.18
Research Infrastructure Block Grants	0.00	0.00	0.00	-59.26	-59.26
<b>Student loans</b>					
HECS	0.00	6.14	6.43	1.87	14.44
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
<b>TOTAL</b>	<b>-41.37</b>	<b>-191.06</b>	<b>-464.51</b>	<b>-842.17</b>	<b>-1539.10</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE

57 of 74



# CABINET - IN - CONFIDENCE

## Option 1 – Underlying Cash (outturn prices)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2003-04 to 2012-13
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>							
Commonwealth Grant Scheme	-206.06	-210.60	-215.23	-219.97	-224.80	-229.75	-1592.99
Transition	0.00	0.00	0.00	0.00	0.00	0.00	-12.76
Regional Loading	-33.38	-34.40	-35.47	-36.54	-37.63	-38.74	-322.24
National priorities - teaching	-63.64	-65.04	-66.47	-67.93	-69.43	-70.96	-556.79
National priorities - nursing	-27.22	-27.82	-28.43	-29.06	-29.70	-30.35	-256.71
Growth Places	-203.40	-243.20	-266.41	-288.69	-311.05	-333.33	-1916.87
<b>Student Support</b>							
Educational Costs Scholarships	-40.90	-44.77	-46.01	-47.28	-48.55	-49.83	-342.76
Accommodation Scholarships	-61.36	-67.15	-69.01	-70.90	-72.79	-74.70	-514.05
Australian Postgraduate Awards	-0.84	-1.43	-2.05	-2.64	-3.18	-3.70	-14.34
<b>Performance and Incentive funding</b>							
Teaching	-138.74	-156.06	-159.50	-163.01	-166.59	-170.26	-1108.87
Research	-108.19	-145.70	-152.22	-158.52	-164.57	-170.67	-973.52
Equity	-10.18	-11.30	-11.55	-11.80	-12.06	-12.33	-86.92
Governance	-28.23	-28.85	-29.48	-30.13	-30.79	-31.47	-220.23
Collaboration & Innovation	-40.87	-53.18	-54.35	-55.55	-56.77	-58.02	-351.94
Quality	-0.90	-0.92	-0.94	-0.96	-0.99	-1.01	-7.90
<b>Other initiatives</b>							
* HEIMS	-3.62	-2.09	-2.34	-2.39	-2.23	-2.28	-32.43
CDP	-9.98	-10.20	-10.42	-10.65	-10.89	-11.13	-77.87
* Implementation Oncosts	-6.77	-6.92	-7.08	-7.23	-7.39	-7.55	-71.56
* Promotion	-0.68	-0.69	-0.71	-0.72	-0.74	-0.76	-7.60
Marcus Oldham Buyout	0.00	0.00	0.00	0.00	0.00	0.00	-2.09
Systemic Infrastructure Initiative	-29.18	0.00	0.00	0.00	0.00	0.00	-58.36
Research Infrastructure Block Grants	-59.26	0.00	0.00	0.00	0.00	0.00	-118.52
<b>Student loans</b>							
HECS	-1.97	-3.80	-4.36	-4.88	-5.40	-5.91	-11.87
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
<b>TOTAL</b>	<b>-1072.86</b>	<b>-1110.23</b>	<b>-1156.70</b>	<b>-1202.04</b>	<b>-1247.19</b>	<b>-1292.76</b>	<b>-8620.88</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

# CABINET - IN - CONFIDENCE

58 of 74

CABINET - IN - CONFIDENCE

**Option 1 – Operating Result (outturn prices)**

	2003-04	2004-05	2005-06	2006-07	2003-04 to 2006-07
	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>					
Commonwealth Grant Scheme	0.00	-56.23	-128.44	-203.82	-388.49
Transition	0.00	-12.76	0.00	0.00	-12.76
Regional Loading	-27.91	-30.28	-31.45	-32.89	-122.53
National priorities - teaching	0.00	-60.26	-61.59	-62.95	-184.79
National priorities - nursing	-21.59	-23.67	-25.42	-26.92	-97.60
Growth Places	0.00	-64.75	-118.60	-174.85	-358.20
<b>Student Support</b>					
Educational Costs Scholarships	-5.00	-15.37	-26.23	-37.65	-84.25
Accommodation Scholarships	-7.50	-23.05	-39.35	-56.47	-126.37
Australian Postgraduate Awards	0.00	0.00	-0.21	-0.58	-0.79
<b>Performance and Incentive funding</b>					
Teaching	0.00	0.00	-93.15	-123.12	-216.27
Research	0.00	0.00	-36.60	-74.10	-110.70
Equity	-0.42	-5.43	-7.27	-9.18	-22.30
Governance	0.00	0.00	-27.32	-27.92	-55.24
Collaboration & Innovation	0.00	-6.51	-12.12	-29.14	-47.76
Quality	0.00	-0.86	-0.87	-0.89	-2.62
<b>Other initiatives</b>					
* HEIMS	-4.26	-5.43	-5.13	-5.33	-20.15
CDP	0.00	0.00	-9.66	-9.87	-19.53
* Implementation Oncosts	-12.29	-6.41	-6.56	-6.70	-31.96
* Promotion	-1.67	-0.64	-0.66	-0.67	-3.64
Marcus Oldham Buyout	-2.09	0.00	0.00	0.00	-2.09
Systemic Infrastructure Initiative	0.00	0.00	0.00	-58.36	-58.36
Research Infrastructure Block Grants	0.00	0.00	0.00	-118.52	-118.52
<b>Student loans</b>					
HECS	0.00	-83.75	-23.34	-42.07	-149.15
F-Help	0.00	8.11	24.43	43.99	76.53
E-Help	0.00	1.00	4.14	8.51	13.65
OS-Help	0.00	0.14	0.73	1.96	2.84
<b>TOTAL</b>	<b>-82.74</b>	<b>-386.14</b>	<b>-624.66</b>	<b>-1047.55</b>	<b>-2141.09</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE



# CABINET - IN - CONFIDENCE

## Option 1 – Operating Result (outturn prices)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2003-04 to 2012-13
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>							
Commonwealth Grant Scheme	-208.31	-212.89	-217.57	-222.36	-227.25	-232.25	-1709.12
Transition	0.00	0.00	0.00	0.00	0.00	0.00	-12.76
Regional Loading	-33.87	-34.92	-36.01	-37.07	-38.20	-39.28	-341.88
National priorities - teaching	-64.33	-65.75	-67.19	-68.67	-70.18	-71.73	-592.65
National priorities - nursing	-27.52	-28.12	-28.74	-29.37	-30.02	-30.68	-272.04
Growth Places	-231.95	-254.45	-278.37	-299.02	-323.08	-343.59	-2088.66
<b>Student Support</b>							
Educational Costs Scholarships	-44.16	-45.38	-46.64	-47.91	-49.19	-50.47	-368.00
Accommodation Scholarships	-66.24	-68.06	-69.95	-71.84	-73.74	-75.66	-551.88
Australian Postgraduate Awards	-1.11	-1.75	-2.35	-2.93	-3.44	-3.95	-16.31
<b>Performance and Incentive funding</b>							
Teaching	-154.37	-157.76	-161.23	-164.78	-168.40	-172.11	-1194.92
Research	-142.28	-149.12	-155.31	-161.73	-167.41	-173.93	-1060.48
Equity	-11.18	-11.42	-11.67	-11.93	-12.19	-12.46	-93.15
Governance	-28.53	-29.16	-29.80	-30.46	-31.13	-31.81	-236.13
Collaboration & Innovation	-52.60	-53.76	-54.94	-56.15	-57.39	-58.65	-381.27
Quality	-0.91	-0.93	-0.95	-0.97	-1.00	-1.02	-8.41
<b>Other initiatives</b>							
* HEIMS	-1.90	-2.27	-2.41	-2.37	-2.08	-2.48	-33.66
CDP	-10.09	-10.31	-10.54	-10.77	-11.01	-11.25	-83.50
* Implementation Oncosts	-6.85	-7.00	-7.15	-7.31	-7.47	-7.64	-75.38
* Promotion	-0.68	-0.70	-0.72	-0.73	-0.75	-0.76	-7.98
Marcus Oldham Buyout	0.00	0.00	0.00	0.00	0.00	0.00	-2.09
Systemic Infrastructure Initiative	0.00	0.00	0.00	0.00	0.00	0.00	-58.36
Research Infrastructure Block Grants	0.00	0.00	0.00	0.00	0.00	0.00	-118.52
<b>Student loans</b>							
HECS	-56.86	-60.78	-58.43	-55.37	-51.94	-47.90	-480.42
F-Help	56.60	61.42	66.28	71.17	76.08	81.01	489.09
E-Help	13.07	17.79	22.65	27.65	32.78	38.06	165.65
OS-Help	3.87	6.34	9.09	11.96	14.95	18.08	67.12
<b>TOTAL</b>	<b>-1070.20</b>	<b>-1108.98</b>	<b>-1141.98</b>	<b>-1170.97</b>	<b>-1202.05</b>	<b>-1230.47</b>	<b>-9065.74</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

# CABINET - IN - CONFIDENCE

60 of 74

# CABINET - IN - CONFIDENCE

## Option 2 – Fiscal Balance (outturn prices)

*Note: Costings for Option 2 are indicative only. Costings for this option will be reviewed prior to submission to the Expenditure Review Committee to ensure that the total package costing fits within the strict financial parameters established in the Senior Ministers' Review (SMR) Minute (JH02/0491/SM) dated 12 December 2002.*

	2003-04	2004-05	2005-06	2006-07	2003-04 to 2006-07
	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>					
Commonwealth Grant Scheme	0.00	0.00	0.00	0.00	0.00
Transition	0.00	0.00	0.00	0.00	0.00
Regional Loading	-27.91	-30.28	-31.45	-32.89	-122.53
National priorities - teaching	0.00	-60.26	-61.59	-62.95	-184.81
National priorities - nursing	0.00	-19.92	-20.36	-20.81	-61.09
Growth Places	0.00	-64.75	-118.60	-174.85	-358.20
<b>Student Support</b>					
Educational Costs Scholarships	0.00	-5.11	-10.46	-16.09	-31.67
Accommodation Scholarships	0.00	-7.66	-15.70	-24.14	-47.50
Australian Postgraduate Awards	0.00	0.00	0.00	0.00	0.00
<b>Performance and Incentive funding</b>					
Teaching	0.00	0.00	-76.48	-78.17	-154.66
Research	0.00	0.00	-27.32	-55.84	-83.15
Equity	-0.42	-5.43	-7.27	-9.18	-22.30
Governance	0.00	0.00	0.00	0.00	0.00
Collaboration & Innovation	0.00	-6.51	-12.12	-29.14	-47.76
Quality	0.00	-0.86	-0.87	-0.89	-2.62
<b>Other initiatives</b>					
* HEIMS	-4.26	-5.43	-5.13	-5.33	-20.15
CDP	0.00	0.00	0.00	0.00	0.00
* Implementation Oncosts	-12.29	-6.41	-6.56	-6.70	-31.96
* Promotion	-1.67	-0.64	-0.66	-0.67	-3.64
Marcus Oldham Buyout	-2.09	0.00	0.00	0.00	-2.09
<b>Student loans</b>					
HECS	0.00	17.28	21.22	24.43	62.93
F-Help	0.00	18.72	51.76	79.50	149.98
E-Help	0.00	26.33	56.01	62.94	145.29
OS-Help	0.00	3.75	11.81	21.02	36.57
<b>TOTAL</b>	<b>-48.65</b>	<b>-147.18</b>	<b>-253.77</b>	<b>-329.77</b>	<b>-779.37</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE

61 of 74



# CABINET - IN - CONFIDENCE

## Option 2 – Fiscal Balance (outturn prices)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2003-04 to 2012-13 \$m
	\$m	\$m	\$m	\$m	\$m	\$m	
<b>Commonwealth Grant Scheme</b>							
Commonwealth Grant Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transition	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regional Loading	-33.87	-34.92	-36.01	-37.07	-38.20	-39.28	-341.88
National priorities - teaching	-64.34	-65.75	-67.20	-68.68	-70.19	-71.73	-592.69
National priorities - nursing	-21.27	-21.73	-22.21	-22.70	-23.20	-23.71	-195.92
Growth Places	-231.95	-254.45	-278.37	-299.02	-323.08	-343.59	-2088.66
<b>Student Support</b>							
Educational Costs Scholarships	-21.99	-22.60	-23.24	-23.87	-24.50	-25.14	-173.00
Accommodation Scholarships	-32.99	-33.91	-34.86	-35.81	-36.76	-37.72	-259.56
Australian Postgraduate Awards	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Performance and Incentive funding</b>							
Teaching	-114.13	-116.64	-119.21	-121.83	-124.51	-127.25	-878.24
Research	-114.13	-116.64	-119.21	-121.83	-124.51	-127.25	-806.74
Equity	-11.17	-11.42	-11.67	-11.93	-12.19	-12.46	-93.13
Governance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Collaboration & Innovation	-52.60	-53.76	-54.94	-56.15	-57.39	-58.65	-381.27
Quality	-0.91	-0.93	-0.95	-0.97	-1.00	-1.02	-8.41
<b>Other initiatives</b>							
* HEIMS	-1.90	-2.27	-2.41	-2.37	-2.08	-2.48	-33.66
CDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00
* Implementation Oncosts	-6.85	-7.00	-7.15	-7.31	-7.47	-7.64	-75.38
* Promotion	-0.68	-0.70	-0.72	-0.73	-0.75	-0.76	-7.98
Marcus Oldham Buyout	0.00	0.00	0.00	0.00	0.00	0.00	-2.09
<b>Student loans</b>							
HECS	27.83	35.82	44.99	54.95	65.48	76.82	368.80
F-Help	95.11	99.52	103.84	108.05	112.16	116.13	784.80
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
<b>TOTAL</b>	<b>-484.69</b>	<b>-492.12</b>	<b>-503.16</b>	<b>-509.89</b>	<b>-519.24</b>	<b>-524.85</b>	<b>-3813.31</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

# CABINET - IN - CONFIDENCE

# CABINET - IN - CONFIDENCE

## Option 2 – Underlying Cash (outturn prices)

	2003-04	2004-05	2005-06	2006-07	2003-04 to 2006-07
	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>					
Commonwealth Grant Scheme	0.00	0.00	0.00	0.00	0.00
Transition	0.00	0.00	0.00	0.00	0.00
Regional Loading	-13.96	-29.10	-30.86	-32.17	-106.09
National priorities - teaching	0.00	-30.13	-60.93	-62.27	-153.33
National priorities - nursing	0.00	-9.96	-20.14	-20.58	-50.68
Growth Places	0.00	-32.38	-91.68	-146.72	-270.78
<b>Student Support</b>					
Educational Costs Scholarships	0.00	-2.55	-7.79	-13.28	-23.62
Accommodation Scholarships	0.00	-3.83	-11.68	-19.92	-35.43
Australian Postgraduate Awards	0.00	0.00	0.00	0.00	0.00
<b>Performance and Incentive funding</b>					
Teaching	0.00	0.00	-38.24	-77.33	-115.57
Research	0.00	0.00	-13.66	-41.58	-55.24
Equity	-0.21	-2.92	-6.35	-8.22	-17.71
Governance	0.00	0.00	0.00	0.00	0.00
Collaboration & Innovation	0.00	-3.26	-9.31	-20.63	-33.20
Quality	0.00	-0.43	-0.86	-0.88	-2.18
<b>Other initiatives</b>					
* HEIMS	-2.13	-4.84	-5.28	-5.23	-17.49
CDP	0.00	0.00	0.00	0.00	0.00
* Implementation Oncosts	-6.15	-9.35	-6.49	-6.63	-28.61
* Promotion	-0.84	-1.16	-0.65	-0.66	-3.31
Marcus Oldham Buyout	-1.05	-1.05	0.00	0.00	-2.09
<b>Student loans</b>					
HECS	0.00	6.14	6.43	1.87	14.44
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
<b>TOTAL</b>	<b>-24.32</b>	<b>-124.82</b>	<b>-297.29</b>	<b>-452.99</b>	<b>-899.43</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE



# CABINET - IN - CONFIDENCE

## Option 2 – Underlying Cash (outturn prices)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2003-04 to 2012-13
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>							
Commonwealth Grant Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transition	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regional Loading	-33.38	-34.40	-35.47	-36.54	-37.63	-38.74	-322.24
National priorities - teaching	-63.64	-65.04	-66.48	-67.94	-69.43	-70.96	-556.83
National priorities - nursing	-21.04	-21.50	-21.97	-22.46	-22.95	-23.46	-184.06
Growth Places	-203.40	-243.20	-266.41	-288.69	-311.05	-333.33	-1916.87
<b>Student Support</b>							
Educational Costs Scholarships	-19.04	-22.30	-22.92	-23.55	-24.18	-24.82	-160.43
Accommodation Scholarships	-28.57	-33.45	-34.39	-35.33	-36.29	-37.24	-240.70
Australian Postgraduate Awards	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Performance and Incentive funding</b>							
Teaching	-96.15	-115.39	-117.93	-120.52	-123.17	-125.88	-814.62
Research	-84.99	-115.39	-117.93	-120.52	-123.17	-125.88	-743.11
Equity	-10.18	-11.30	-11.55	-11.80	-12.06	-12.32	-86.91
Governance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Collaboration & Innovation	-40.87	-53.18	-54.35	-55.55	-56.77	-58.02	-351.94
Quality	-0.90	-0.92	-0.94	-0.96	-0.99	-1.01	-7.90
<b>Other initiatives</b>							
* HEIMS	-3.62	-2.09	-2.34	-2.39	-2.23	-2.28	-32.43
CDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00
* Implementation Oncosts	-6.77	-6.92	-7.08	-7.23	-7.39	-7.55	-71.56
* Promotion	-0.68	-0.69	-0.71	-0.72	-0.74	-0.76	-7.60
Marcus Oldham Buyout	0.00	0.00	0.00	0.00	0.00	0.00	-2.09
<b>Student loans</b>							
HECS	-1.97	-3.80	-4.36	-4.88	-5.40	-5.91	-11.87
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
<b>TOTAL</b>	<b>-612.68</b>	<b>-725.68</b>	<b>-759.48</b>	<b>-792.28</b>	<b>-825.09</b>	<b>-858.19</b>	<b>-5472.84</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE

# CABINET - IN - CONFIDENCE

## Option 2 – Operating Result (outturn prices)

	2003-04	2004-05	2005-06	2006-07	2003-04 to 2006-07
	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>					
Commonwealth Grant Scheme	0.00	0.00	0.00	0.00	0.00
Transition	0.00	0.00	0.00	0.00	0.00
Regional Loading	-27.91	-30.28	-31.45	-32.89	-122.53
National priorities - teaching	0.00	-60.26	-61.59	-62.95	-184.81
National priorities - nursing	0.00	-19.92	-20.36	-20.81	-61.09
Growth Places	0.00	-64.75	-118.60	-174.85	-358.20
<b>Student Support</b>					
Educational Costs Scholarships	0.00	-5.11	-10.46	-16.09	-31.67
Accommodation Scholarships	0.00	-7.66	-15.70	-24.14	-47.50
Australian Postgraduate Awards	0.00	0.00	0.00	0.00	0.00
<b>Performance and Incentive funding</b>					
Teaching	0.00	0.00	-76.48	-78.17	-154.66
Research	0.00	0.00	-27.32	-55.84	-83.15
Equity	-0.42	-5.43	-7.27	-9.18	-22.30
Governance	0.00	0.00	0.00	0.00	0.00
Collaboration & Innovation	0.00	-6.51	-12.12	-29.14	-47.76
Quality	0.00	-0.86	-0.87	-0.89	-2.62
<b>Other initiatives</b>					
* HEIMS	-4.26	-5.43	-5.13	-5.33	-20.15
CDP	0.00	0.00	0.00	0.00	0.00
* Implementation Oncosts	-12.29	-6.41	-6.56	-6.70	-31.96
* Promotion	-1.67	-0.64	-0.66	-0.67	-3.64
Marcus Oldham Buyout	-2.09	0.00	0.00	0.00	-2.09
<b>Student loans</b>					
HECS	0.00	-83.75	-23.34	-42.07	-149.15
F-Help	0.00	8.11	24.43	43.99	76.53
E-Help	0.00	1.00	4.14	8.51	13.65
OS-Help	0.00	0.14	0.73	1.96	2.84
<b>TOTAL</b>	<b>-48.65</b>	<b>-287.76</b>	<b>-388.60</b>	<b>-505.26</b>	<b>-1230.28</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE



## CABINET - IN - CONFIDENCE

## Option 2 – Operating Result (outturn prices)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2003-04 to 2012-13
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>							
Commonwealth Grant Scheme	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transition	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regional Loading	-33.87	-34.92	-36.01	-37.07	-38.20	-39.28	-341.88
National priorities - teaching	-64.34	-65.75	-67.20	-68.68	-70.19	-71.73	-592.69
National priorities - nursing	-21.27	-21.73	-22.21	-22.70	-23.20	-23.71	-195.92
Growth Places	-231.95	-254.45	-278.37	-299.02	-323.08	-343.59	-2088.66
<b>Student Support</b>							
Educational Costs Scholarships	-21.99	-22.60	-23.24	-23.87	-24.50	-25.14	-173.00
Accommodation Scholarships	-32.99	-33.91	-34.86	-35.81	-36.76	-37.72	-259.56
Australian Postgraduate Awards	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Performance and Incentive funding</b>							
Teaching	-114.13	-116.64	-119.21	-121.83	-124.51	-127.25	-878.24
Research	-114.13	-116.64	-119.21	-121.83	-124.51	-127.25	-806.74
Equity	-11.17	-11.42	-11.67	-11.93	-12.19	-12.46	-93.13
Governance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Collaboration & Innovation	-52.60	-53.76	-54.94	-56.15	-57.39	-58.65	-381.27
Quality	-0.91	-0.93	-0.95	-0.97	-1.00	-1.02	-8.41
<b>Other initiatives</b>							
* HEIMS	-1.90	-2.27	-2.41	-2.37	-2.08	-2.48	-33.66
CDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00
* Implementation Oncosts	-6.85	-7.00	-7.15	-7.31	-7.47	-7.64	-75.38
* Promotion	-0.68	-0.70	-0.72	-0.73	-0.75	-0.76	-7.98
Marcus Oldham Buyout	0.00	0.00	0.00	0.00	0.00	0.00	-2.09
<b>Student loans</b>							
HECS	-56.86	-60.78	-58.43	-55.37	-51.94	-47.90	-480.42
F-Help	56.60	61.42	66.28	71.17	76.08	81.01	489.09
E-Help	13.07	17.79	22.65	27.65	32.78	38.06	165.65
OS-Help	3.87	6.34	9.09	11.96	14.95	18.08	67.12
<b>TOTAL</b>	<b>-692.13</b>	<b>-717.96</b>	<b>-738.56</b>	<b>-754.87</b>	<b>-773.95</b>	<b>-789.44</b>	<b>-5697.19</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE

66 of 74

# CABINET - IN - CONFIDENCE

## Option 3 – Fiscal Balance (outturn prices)

*Note: Costings for Option 3 are indicative only. Costings for this option will be reviewed prior to submission to the Expenditure Review Committee to ensure that the total package costing fits within the strict financial parameters established in the Senior Ministers' Review (SMR) Minute (JH02/0491/SM) dated 12 December 2002.*

	2003-04	2004-05	2005-06	2006-07	2003-04 to 2006-07 \$m
	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>					
Commonwealth Grant Scheme	0.00	-125.67	-128.44	-131.28	-385.39
Transition	0.00	0.00	0.00	0.00	0.00
Regional Loading	0.00	-28.52	-29.15	-29.79	-87.46
National priorities - teaching	0.00	0.00	0.00	0.00	0.00
National priorities - nursing	0.00	0.00	0.00	0.00	0.00
Growth Places	0.00	0.00	0.00	0.00	0.00
<b>Student Support</b>					
Educational Costs Scholarships	0.00	0.00	0.00	0.00	0.00
Accommodation Scholarships	0.00	0.00	0.00	0.00	0.00
Australian Postgraduate Awards	0.00	0.00	0.00	0.00	0.00
<b>Performance and Incentive funding</b>					
Teaching	0.00	0.00	0.00	0.00	0.00
Research	0.00	0.00	0.00	0.00	0.00
Equity	0.00	0.00	0.00	0.00	0.00
Governance	0.00	0.00	0.00	0.00	0.00
Collaboration & Innovation	0.00	0.00	0.00	0.00	0.00
Quality	0.00	0.00	0.00	0.00	0.00
<b>Other initiatives</b>					
* HEIMS	-4.26	-5.43	-5.13	-5.33	-20.15
CDP	0.00	0.00	0.00	0.00	0.00
* Implementation Oncosts	-12.29	-6.41	-6.56	-6.70	-31.96
* Promotion	-1.67	-0.64	-0.66	-0.67	-3.64
Marcus Oldham Buyout	-2.09	0.00	0.00	0.00	-2.09
<b>Student loans</b>					
HECS	0.00	17.28	21.22	24.43	62.93
F-Help	0.00	18.72	51.76	79.50	149.98
E-Help	0.00	26.33	56.01	62.94	145.29
OS-Help	0.00	3.75	11.81	21.02	36.57
<b>TOTAL</b>	<b>-20.32</b>	<b>-100.59</b>	<b>-29.14</b>	<b>14.11</b>	<b>-135.93</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE

67 of 74



# CABINET - IN - CONFIDENCE

## Option 3 – Fiscal Balance (outturn prices)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2003-04 to 2012-13 \$m
	\$m	\$m	\$m	\$m	\$m	\$m	
<b>Commonwealth Grant Scheme</b>							
Commonwealth Grant Scheme	-134.17	-137.12	-140.13	-143.22	-146.37	-149.59	-1235.99
Transition	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regional Loading	-30.45	-31.12	-31.80	-32.50	-33.22	-33.95	-280.49
National priorities - teaching	0.00	0.00	0.00	0.00	0.00	0.00	0.00
National priorities - nursing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Growth Places	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Student Support</b>							
Educational Costs Scholarships	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accommodation Scholarships	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australian Postgraduate Awards	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Performance and Incentive funding</b>							
Teaching	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Research	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Governance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Collaboration & Innovation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Quality	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Other initiatives</b>							
* HEIMS	-1.90	-2.27	-2.41	-2.37	-2.08	-2.48	-33.66
CDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00
* Implementation Oncosts	-6.85	-7.00	-7.15	-7.31	-7.47	-7.64	-75.38
* Promotion	-0.68	-0.70	-0.72	-0.73	-0.75	-0.76	-7.98
Marcus Oldham Buyout	0.00	0.00	0.00	0.00	0.00	0.00	-2.09
<b>Student loans</b>							
HECS	27.83	35.82	44.99	54.95	65.48	76.82	368.80
F-Help	95.11	99.52	103.84	108.05	112.16	116.13	784.80
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
<b>TOTAL</b>	<b>50.08</b>	<b>72.42</b>	<b>92.78</b>	<b>114.25</b>	<b>136.71</b>	<b>159.42</b>	<b>489.72</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE

68 of 74

# CABINET - IN - CONFIDENCE

## Option 3 – Underlying Cash (outturn prices)

	2003-04	2004-05	2005-06	2006-07	2003-04 to 2006-07
	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>					
Commonwealth Grant Scheme	0.00	-62.83	-127.06	-129.86	-319.75
Transition	0.00	0.00	0.00	0.00	0.00
Regional Loading	0.00	-14.26	-28.83	-29.47	-72.56
National priorities - teaching	0.00	0.00	0.00	0.00	0.00
National priorities - nursing	0.00	0.00	0.00	0.00	0.00
Growth Places	0.00	0.00	0.00	0.00	0.00
<b>Student Support</b>					
Educational Costs Scholarships	0.00	0.00	0.00	0.00	0.00
Accommodation Scholarships	0.00	0.00	0.00	0.00	0.00
Australian Postgraduate Awards	0.00	0.00	0.00	0.00	0.00
<b>Performance and Incentive funding</b>					
Teaching	0.00	0.00	0.00	0.00	0.00
Research	0.00	0.00	0.00	0.00	0.00
Equity	0.00	0.00	0.00	0.00	0.00
Governance	0.00	0.00	0.00	0.00	0.00
Collaboration & Innovation	0.00	0.00	0.00	0.00	0.00
Quality	0.00	0.00	0.00	0.00	0.00
<b>Other initiatives</b>					
* HEIMS	-2.13	-4.84	-5.28	-5.23	-17.49
CDP	0.00	0.00	0.00	0.00	0.00
* Implementation Oncosts	-6.15	-9.35	-6.49	-6.63	-28.61
* Promotion	-0.84	-1.16	-0.65	-0.66	-3.31
Marcus Oldham Buyout	-1.05	-1.05	0.00	0.00	-2.09
<b>Student loans</b>					
HECS	0.00	6.14	6.43	1.87	14.44
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
<b>TOTAL</b>	<b>-10.16</b>	<b>-87.36</b>	<b>-161.68</b>	<b>-168.74</b>	<b>-427.93</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE

69 of 74



CABINET - IN - CONFIDENCE

**Option 3 – Underlying Cash (outturn prices)**

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2003-04 to 2012-13
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>							
Commonwealth Grant Scheme	-132.72	-135.64	-138.63	-141.68	-144.79	-147.98	-1161.19
Transition	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regional Loading	-30.12	-30.78	-31.46	-32.15	-32.86	-33.58	-263.52
National priorities - teaching	0.00	0.00	0.00	0.00	0.00	0.00	0.00
National priorities - nursing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Growth Places	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Student Support</b>							
Educational Costs Scholarships	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accommodation Scholarships	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australian Postgraduate Awards	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Performance and Incentive funding</b>							
Teaching	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Research	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Governance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Collaboration & Innovation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Quality	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Other initiatives</b>							
* HEIMS	-3.62	-2.09	-2.34	-2.39	-2.23	-2.28	-32.43
CDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00
* Implementation Oncosts	-6.77	-6.92	-7.08	-7.23	-7.39	-7.55	-71.56
* Promotion	-0.68	-0.69	-0.71	-0.72	-0.74	-0.76	-7.60
Marcus Oldham Buyout	0.00	0.00	0.00	0.00	0.00	0.00	-2.09
<b>Student loans</b>							
HECS	-1.97	-3.80	-4.36	-4.88	-5.40	-5.91	-11.87
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
<b>TOTAL</b>	<b>-173.36</b>	<b>-176.04</b>	<b>-179.24</b>	<b>-182.24</b>	<b>-185.04</b>	<b>-188.09</b>	<b>-1511.95</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE

# CABINET - IN - CONFIDENCE

## Option 3 – Operating Result (outturn prices)

	2003-04	2004-05	2005-06	2006-07	2003-04 to 2006-07
	\$m	\$m	\$m	\$m	\$m
<b>Commonwealth Grant Scheme</b>					
Commonwealth Grant Scheme	0.00	-125.67	-128.44	-131.28	-385.39
Transition	0.00	0.00	0.00	0.00	0.00
Regional Loading	0.00	-28.52	-29.15	-29.79	-87.46
National priorities - teaching	0.00	0.00	0.00	0.00	0.00
National priorities - nursing	0.00	0.00	0.00	0.00	0.00
Growth Places	0.00	0.00	0.00	0.00	0.00
<b>Student Support</b>					
Educational Costs Scholarships	0.00	0.00	0.00	0.00	0.00
Accommodation Scholarships	0.00	0.00	0.00	0.00	0.00
Australian Postgraduate Awards	0.00	0.00	0.00	0.00	0.00
<b>Performance and Incentive funding</b>					
Teaching	0.00	0.00	0.00	0.00	0.00
Research	0.00	0.00	0.00	0.00	0.00
Equity	0.00	0.00	0.00	0.00	0.00
Governance	0.00	0.00	0.00	0.00	0.00
Collaboration & Innovation	0.00	0.00	0.00	0.00	0.00
Quality	0.00	0.00	0.00	0.00	0.00
<b>Other initiatives</b>					
* HEIMS	-4.26	-5.43	-5.13	-5.33	-20.15
CDP	0.00	0.00	0.00	0.00	0.00
* Implementation Oncosts	-12.29	-6.41	-6.56	-6.70	-31.96
* Promotion	-1.67	-0.64	-0.66	-0.67	-3.64
Marcus Oldham Buyout	-2.09	0.00	0.00	0.00	-2.09
<b>Student loans</b>					
HECS	0.00	-83.75	-23.34	-42.07	-149.15
F-Help	0.00	8.11	24.43	43.99	76.53
E-Help	0.00	1.00	4.14	8.51	13.65
OS-Help	0.00	0.14	0.73	1.96	2.84
<b>TOTAL</b>	<b>-20.32</b>	<b>-241.17</b>	<b>-163.97</b>	<b>-161.38</b>	<b>-586.84</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE



## CABINET - IN - CONFIDENCE

## Option 3 – Operating Result (outturn prices)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2003-04 to 2012-13 \$m
	\$m	\$m	\$m	\$m	\$m	\$m	
<b>Commonwealth Grant Scheme</b>							
Commonwealth Grant Scheme	-134.17	-137.12	-140.13	-143.22	-146.37	-149.59	-1235.99
Transition	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regional Loading	-30.45	-31.12	-31.80	-32.50	-33.22	-33.95	-280.49
National priorities - teaching	0.00	0.00	0.00	0.00	0.00	0.00	0.00
National priorities - nursing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Growth Places	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Student Support</b>							
Educational Costs Scholarships	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accommodation Scholarships	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australian Postgraduate Awards	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Performance and Incentive funding</b>							
Teaching	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Research	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Governance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Collaboration & Innovation	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Quality	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Other initiatives</b>							
* HEIMS	-1.90	-2.27	-2.41	-2.37	-2.08	-2.48	-33.66
CDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00
* Implementation Oncosts	-6.85	-7.00	-7.15	-7.31	-7.47	-7.64	-75.38
* Promotion	-0.68	-0.70	-0.72	-0.73	-0.75	-0.76	-7.98
Marcus Oldham Buyout	0.00	0.00	0.00	0.00	0.00	0.00	-2.09
<b>Student loans</b>							
HECS	-56.86	-60.78	-58.43	-55.37	-51.94	-47.90	-480.42
F-Help	56.60	61.42	66.28	71.17	76.08	81.01	489.09
E-Help	13.07	17.79	22.65	27.65	32.78	38.06	165.65
OS-Help	3.87	6.34	9.09	11.96	14.95	18.08	67.12
<b>TOTAL</b>	<b>-157.37</b>	<b>-153.42</b>	<b>-142.62</b>	<b>-130.73</b>	<b>-118.01</b>	<b>-105.17</b>	<b>-1394.16</b>

\* Departmental Expenses. For Implementation Oncosts, only \$2.0m (2002 prices) represents Departmental Expenses.

CABINET - IN - CONFIDENCE

72 of 74

**HIGHER EDUCATION REVIEW PROCESS**

In April 2002, The Honourable Dr. Brendan Nelson MP, Minister for Education, Science and Training, launched a review of Australian higher education with the release of the ministerial discussion paper, *Higher Education at the Crossroads: An overview paper*. The paper canvassed a broad range of future directions for the higher education sector.

A reference group of eminent Australians representing business, industry, students, Indigenous people and the vocational education and training and higher education sectors guided the process. A Higher Education Review Secretariat was established to develop a number of issues papers and to conduct the public consultation process. The secretariat comprised a small number of policy analysts from the Department of Education, Science and Training, the Department of Employment and Workplace Relations, and the Department of the Prime Minister and Cabinet. There were additional secondments from the Business Council of Australia to assist liaison with the business sector, and from Education Queensland, to facilitate input from the States and Territories. Mr Bob Goddard from the Australian Vice-Chancellors' Committee, was appointed to lead the secretariat through the publication of issues papers and the public consultation process.

Public submissions were invited and over 730 were received and published on the Review website. These submissions formed the basis of six issues papers, which provided in-depth discussion and analysis of the key issues raised by submissions. The issues papers were:

- *Striving for Quality: learning, teaching and scholarship* (released 21 June);
- *Setting Firm Foundations: financing Australian higher education* (released 25 July);
- *Varieties of Excellence: diversity, specialisation and regional engagement* (released 31 July);
- *Achieving Equitable and Appropriate Outcomes: Indigenous Australians in higher education* (released 6 August);
- *Meeting the Challenges: the governance and management of universities* (released 13 August); and
- *Varieties of Learning: the interface between higher education and vocational education and training* (released 19 August).

Forty-nine forums were held around the country with around 800 invited participants providing input. Fora were held on the following topics:

- Financing;
- Specialisation and diversification;
- Governance, management efficiency and reporting;
- Teaching quality and learning outcomes;
- Interface between higher education and vocational education and training;
- Workplace relations;
- Regional issues;
- Commercialisation of research; and
- Indigenous issues.



CABINET - IN - CONFIDENCE

A final two-day forum was hosted by the Minister at Parliament House on October 3 and 4, which gave key stakeholders from a range of community, business and education organisations the opportunity to provide perspectives to frame the seven months of debate and discussion.

Copy No. 57

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