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No. 126 2000–01

Innovation and Education Legislation Amendment
Bill 2001

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Innovation and Education Legislation Amendment Bill 2001

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11 May 2001

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Innovation and Education Legislation Amendment Bill 2001

Date Introduced: 5 April 2001

House: House of Representatives

Portfolio: Education, Training and Youth Affairs

Commencement: Royal Assent

Purpose

The Bill will:

- amend the *Higher Education Funding Act 1988* (the HEFA) and the *Australian Research Council Act 2001* (the ARC Act) to provide an additional \$102.4 million in 2002 for higher education policies announced in the Government's Innovation Action Plan; and
- amend the HEFA to introduce a loan scheme for postgraduate students; and
- enable the imposition of a cap on student debt to the Commonwealth; and
- facilitate and regulate electronic communication between students and institutions; and
- amend the *States Grants (Primary and Secondary Education Assistance) Act 2000* to provide an additional \$9.5 million for establishment assistance for new non-government schools and an additional \$2.7 million for non-government school students with disabilities, over the 2001-2004 quadrennium.

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Background

The Innovation Action Plan

In January 2001 the Prime Minister announced the Government's Innovation Action Plan under the title *Backing Australia's Ability*.¹ The main elements of the package of measures were grouped into three areas.

- **Policies to strengthen research.** These included more incentives for business to increase their investment in research and development (tax concessions and grants); a doubling of funding for Australian Research Council grants over the next 5 years; increased funding for university research infrastructure, and the establishment of new research centres and facilities.
- **Policies to accelerate the commercial application of ideas.** These included the expansion of the Cooperative Research Centres Program; a doubling of the value of the Commercialising Emerging Technologies (COMET) Program; the introduction of a \$100 million Innovation Access Program to help business access the best technology and science; pre-seed funding for universities and public sector research agencies to help turn ideas into products and jobs; and the doubling of funding for the Biotechnology Investment Fund to encourage the growth of new biotechnology firms.
- **Policies to develop and retain Australian skills.** These included the funding of an additional 2000 university places a year, with priority given to information and communications technology, mathematics and science places; the introduction of a loan scheme for postgraduate fee-paying students; the development of on-line curriculum content for schools focused on innovation and enterprise-related careers; and the commitment of \$130 million to raise scientific, mathematical and technological standards in government schools.

The total of the funding initiatives announced in the Plan was said to be some \$2.9 billion over a five year period, as illustrated in the following table, which was released at the time of the announcement.²

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Table 1: Impact of the Innovation Action Plan on the Budget

Initiative	2001/02	2002/03	2003/04	2004/05	2005/06	Total
ARC Competitive Grants	-19.2	-92.5	-142.8	-205.4	-276.5	-736.4
Project Infrastructure	-26.8	-47.7	-68.7	-89.3	-104.5	-337.0
University Infrastructure	-26.3	-53.2	-54.4	-55.5	-56.6	-246.0
World Class Centres of Excellence (a)	-6.0	-12.6	-17.0	-23.9	-31.5	-91.0
Major National Research Facilities	-5.0	-20.0	-30.0	-50.0	-50.0	-155.0
R&D Start	0	-41.9	-117.6	-174.7	-200.7	-534.9
Premium Rate Tax Concession	-30.0	-90.0	-105.0	-110.0	-125.0	-460.0
Streamlining the R&D Tax Concession	5.0	45.0	85.0	115.0	95.0	345.0
Rebate for Small Companies (b)	0	-6.0	-3.0	-2.0	-2.0	-13.0
Expand CRCs	0	0	-55.0	-57.0	-115.0	-227.0
Expand COMET	-10.0	-10.0	-10.0	-10.0	0	-40.0
Innovation Access Program	-1.0	-22.0	-24.0	-26.0	-27.0	-100.0
Pre-Seed Fund	-6.4	-16.9	-21.8	-21.8	-11.8	-78.7
Biotechnology Innovation Fund	-5.0	-5.0	-10.0	0	0	-20.0
New Industries Development Program	-5.1	-5.2	-5.2	-5.2	-1.0	-21.7
Additional 2000 university places (c)	-13.9	-24.7	-33.0	-39.5	-39.9	-151.0
Attracting IT&T Workers (d)	0.5	0.6	0.6	0.6	0.7	3.0
Postgraduate Education Loans Scheme (e)	-0.7	2.0	7.7	11.7	15.9	36.6
Online Curriculum Content	-4.5	-7.2	-7.4	-7.5	-7.7	-34.1
National Innovation Awareness Strategy	-5.0	-7.0	-7.0	-7.0	-9.0	-35.0
Total	-159.4	-414.3	-618.6	-757.5	-946.6	-2,896.2

Notes

- a. Funding for World Class Centres of Excellence will be matched in years 2 to 5 by additional funding from ARC National Competitive Grants (\$85m).
- b. It is expected that companies will claim rebates of some \$30m with the net cost reduced by companies foregoing losses of tax.

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- c. The impact on the fiscal balance does not reflect the total resources that flow to universities through this initiative, as universities will also receive funds for these places through the Higher Education Contribution Scheme (HECS). Under accrual accounting, these latter funds have only a marginal impact on the fiscal balance. It is expected that universities will receive in the order of \$260m over 5 years to support the provision of undergraduate places in the priority disciplines.
- d. This initiative contains multiple proposals. The positive impact on fiscal balance arises from revenue received from one proposal - visa application fees for onshore processing of ICT qualified students. This figure does not take into account ongoing costs to Government for other migration related proposals in this package as they have been costed as part of the annual migration program.
- e. The positive impact of this initiative on the fiscal balance largely reflects the estimated revenue to the Commonwealth arising from the indexation of students' loan debt over time. Under accrual accounting, the actual amount loaned to students, estimated to be some \$995 million over five years, does not impact on the fiscal balance.

However, subsequent questioning in the Senate Employment, Workplace Relations, Small Business and Education Legislation Committee has indicated that the table does not contain the announced commitment of \$130 million to government schools and that the Postgraduate Education Loans Scheme (PELS) costing does not make allowance for bad debts (estimated at around \$135 million over five years).

Reactions to the Plan

The Plan received a positive reception from research organisations, interest groups, universities and the media. The Australian Research Council (ARC) chair, Vicki Sara, noted that the ARC budget would now be able to support one in every three applications received, as opposed to the current rate of one in five.³ The president of the Australian Vice-Chancellors' Committee, Professor Ian Chubb, said that it was a 'valuable start' to the process of re-tooling the research infrastructure of Australian universities.⁴ He also applauded the longer term view of the Plan.⁵ The Chief Scientist, Robin Batterham, welcomed the package and the President of the Federation of Australian Scientific and Technological Societies (Professor Sue Serjeantson) described it as 'an astute mix'.⁶

However, a number of commentators drew attention to what they perceived as deficiencies in the Plan:

- The chief executive of the Institute of Engineers, Mr John Boshier, stated that while the Plan was a welcome step towards addressing Australia's future competitiveness, the Government should set national goals and priorities through R&D funding⁷
- The Australian Industry Defence Network argued that the Plan over-emphasised start-ups at the expense of small-to-medium established enterprises. It also criticised the lack of any reference to the Defence Science and Technology Organisation.⁸ However, the *Financial Review* noted that the approach would favour grants to smaller

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enterprises undertaking genuine additional research rather than providing tax breaks for research that would have occurred anyway⁹

- The Royal Australian Chemical Institute and other commentators expressed concern that the CSIRO and the Australian Institute for Marine Sciences were not directly included in the initiatives¹⁰
- *The Australian* and others criticised the lack of any benchmarks or performance indicators to measure the success of the Plan¹¹
- The R&D concessions were seen by some as insufficiently generous when compared to those that were abolished in 1996, but others argued that these had been rorted and that the new more tightly targeted concessions would be more effective¹²
- The *Sydney Morning Herald* criticised the commitment of \$130 million to foster scientific, mathematical and technological skills in those States where the enrolment benchmark adjustment (EBA) had been triggered, arguing that there was no reason to confine the scheme to EBA States¹³
- Mr Andrew Norton of the Centre for Independent Studies argued that the postgraduate loans scheme should be extended to undergraduates who are paying full fees¹⁴
- Alan Wood criticised the structure of the R&D tax concession, noting that it did not conform to the views of the Productivity Commission, which recommended that concessions should only apply to new R&D over and above a company's normal spending level. This is the approach employed in the US, Canada, France, Japan, Taiwan and Sweden, and¹⁵
- Professor Gavin Brown, Chairman of the 'Group of Eight' universities, has argued that the package should have been three to four times higher to bring Australia up to 'a reasonable OECD standard'.¹⁶

Higher Education Funding Measures Contained in the Bill

Commonwealth funds for higher education are legislated on a calendar year basis for a rolling triennium. The figures in the Bill are thus not directly comparable to those given in the Innovation Statement. In addition, the Bill will amend various funding levels in the HEFA which already have been amended by the ARC Act and the *Australian Research Council (Consequential and Transitional Provisions) Act 2001*. The latter two pieces of legislation have received the Royal Assent, but have not yet been proclaimed. The following table summarises these funding measures.

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Table 2: Summary of recent and proposed funding amendments to relevant sections of Higher Education Funding Act 1988 and Australian Research Council Act 2001¹⁷

1. Higher Education Funding Act 1988 - Operating Grants		
Funding Measures	Section 17(m) of the HEFA (Operating grants for 2001) \$	Section 17(n) of the HEFA (Operating grants for 2002) \$
<i>Higher Education Funding Amendment Act 2000</i> (ie. before the ARC legislation)	3,437,721,000	3,413,312,000
<i>Australian Research Council (Consequential and Transitional Provisions) Act 2001</i> - Transfer to Section 23C for Research Training Scheme and Institutional Grants Scheme	-717,764,000	-717,926,000
Total (current funding amounts)	2,719,957,000	2,695,386,000
Proposed <i>Innovation and Education Legislation Amendment Bill 2001</i> - Transfer to Section 23C for Research Training Scheme	-14,792,000	-14,792,000
Additional funds for 2000 targeted places		13,046,000
Total (proposed funding amounts)	2,705,165,000	2,693,640,000
2. Higher Education Funding Act 1988 - Research Grants		
Funding Measures	Section 23C(2)(i) (Research Grants for 2001) \$	Section 23C(2)(j) (Research Grants for 2002) \$
<i>Higher Education Funding Amendment Act 2000</i> (ie. before the ARC legislation)	488,085,000	468,562,000
<i>Australian Research Council (Consequential and Transitional Provisions) Act 2001</i> - Transfer from Section 17 for Research Training Scheme and Institutional Grants Scheme	717,764,000	717,926,000
Transfer to Australian Research Council Act 2001	-244,330,000	-243,812,000
Total (current funding amounts)	961,519,000	942,676,000
Proposed <i>Innovation and Education Legislation Amendment Bill 2001</i> :		

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- Additional project specific research infrastructure		45,073,000
- Systemic research infrastructure		25,714,000
- Transfer from S.17 for Research Training Scheme	14,792,000	14,792,000
Total (proposed funding amounts)	976,311,000	1,028,255,000
3. Australian Research Council Act 2001 - Research Grants		
Funding Measures	S.49(a) (Research Grants for 2001) \$	S.49(b) (Research Grants for 2002) \$
Transfer from Section 23C of the HEFA	244,330,000	243,812,000
Transfer from Section 23C of the HEFA - unspent funds	3,500,000	
Total (current funding amounts)	247,830,000	243,812,000
Proposed <i>Innovation and Education Legislation Amendment Bill 2001</i> : doubling of ARC funds		18,601,000
Total (proposed funding amounts)	247,830,000	262,413,000

In summary, the Bill will provide an additional \$102.434 million for higher education in 2002, comprising:

- \$45.073 million for project specific research infrastructure
- \$25.714 million for systemic research infrastructure
- \$13.046 million for an additional 2000 targeted undergraduate places, and
- \$18.601 million for ARC research schemes.

Cost of Undergraduate Places

As noted above, the Bill will provide funds for 2000 undergraduate places in the areas of information and communications technology, mathematics and science. The actual rate of funding provided by the Bill is \$6523 per place. However, this amount does not include the HECS component, which is provided through s.57 of the HEFA. The HECS rate for science and maths places in 2001 is \$5015.¹⁸ The actual cash outlay by the Commonwealth will depend upon the proportions of students who elect to pay upfront and receive the 25 per cent discount (which is paid by the Commonwealth to the institution),

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or who choose to defer and have the Commonwealth pay the full amount. The total funding available for each place will thus be around \$11 500, which is slightly more than the estimated cost of these places under the Relative Funding Model.¹⁹

The Postgraduate Education Loans Scheme (PELS)

Background to the Scheme

Fees for postgraduate courses were re-introduced in 1989, when institutions were able to charge regulated fees for certain types of postgraduate courses. This market was progressively deregulated so that by 1994 universities were able to charge fees for most postgraduate courses and to determine the level of fees they charged. However, institutions are not required to charge postgraduate fees: they can also offer postgraduate places to non-overseas students on a HECS-liable or HECS-exempt basis.

Under s.13 of the HEFA institutions may charge postgraduate fees in accordance with guidelines issued by the Minister.²⁰ Under these guidelines, HECS-liable and non-fee-paying HECS exempt students (students who hold a research HECS exemption, a Research Training Scheme place and students in courses fully funded by an employer) must be able to complete the requirements of their award course without being required to pay fees under s.13 of the Act and must have access to the full range of unit electives offered for their award course.

The guidelines also stipulate that fees cannot be charged for postgraduate award courses required for initial registration for general nursing, or teaching, or which would allow provisional registration as a medical practitioner by State, Territory or Commonwealth authorities: such students must be HECS-liable or exempt.

Higher education institutions are not precluded from charging fees under section 13 of the Act to students who have enrolled in an award course on a HECS-liable or non-fee-paying HECS exempt basis and who subsequently choose to enrol in an award course on a fee-paying basis.

In January 1995 the *Report of the Committee to Review Fee-Paying Arrangements for Postgraduate Courses* recommended against the introduction of a HECS-type scheme for fee-paying postgraduate courses, although it considered that the need for such a scheme should be re-evaluated if significant expansion of the market occurred.²¹

The last five years has seen such an expansion: total non-overseas, fee-paying postgraduate student load has grown from 10 839 EFTSU in 1995 to 24 689 EFTSU in 2000, an increase of 129 per cent.²² These students now constitute about a quarter of postgraduate places. The most popular courses for postgraduate fee-payers are Masters (by coursework) and Graduate/Postgraduate Diplomas. The full-time duration of these courses is generally 1 to 1.5 years (Masters), and one year (Graduate Diploma). The most popular subject areas are business/economics/law (46 per cent), health sciences (12 per cent), maths/computing (12 per cent) and social studies (10 per cent).

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A breakdown of postgraduate student load in 2000 is as follows:

Table 3: Postgraduate Places in 2000

Category of postgraduate places	Student load in 2000 (EFTSU)	Per cent of total
HECS liable	17793	19.1
Non-overseas fee-paying	24689	26.5
Overseas fee-paying	26618	28.6
Australian Postgraduate Awards	21203	22.8
Others	2754	3.0
Total	93057	100.0

Although there has been strong growth in postgraduate fee-paying places for non-overseas students, the total number of Australian postgraduate places has declined slightly over the last six years, as indicated in Table 4 below. This means that the growth in fee-paying places have coincided with a decline in HECS-liable places. Institutions with strong demand for their courses have been able to substitute HECS-liable with fee-paying places and increase their income.

Table 4: Non-Overseas Postgraduate Student Load, 1995-2000

Level of Course	1995 EFTSU	1996 EFTSU	1997 EFTSU	1998 EFTSU	1999 EFTSU	2000 EFTSU
Doctorates	14848	15751	16866	17559	18747	19471
Master's by Research	6881	6341	6456	6213	6066	5703
Master's by Coursework	18760	18834	19758	19707	19669	19160
Other Postgraduate	25215	25829	25642	23677	22006	20663
Total	65704	66755	68722	67156	66488	64997

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PELS and HECS

The proposed loan scheme is essentially a modified version of the Higher Education Contribution Scheme (HECS): the Commonwealth will pay the fee for the student, who will repay the amount through the tax system when their income reaches certain levels.²³ Once a PELS debt is incurred, it is treated in the same way as a HECS debt: repayment rates and income thresholds are the same and no interest is payable on the debt, although it is indexed on the basis of the Consumer Price Index. The major differences between the PELS and HECS are:

- the fees payable will not be set by the Commonwealth, as they are with HECS, so institutions will continue to set their own postgraduate fee levels. The loans will only be available for postgraduate non-research course tuition fees.
- There will be no discount for up-front payments (students who pay their own HECS contribution on enrolment receive a 25 per cent discount).

The Limit on Student Debt to the Commonwealth

The legislation will also enable the Minister to determine a loan limit for students' combined HECS, PELS and Open Learning Deferred Payment Scheme (OLDPS) debts (**proposed s.106ZD**).

Under ss.57 and 106D of the HEFA the Commonwealth is obliged to lend students an amount equivalent to their HECS or OLDPS obligations and to pay that amount to an institution/agency in discharge of the students liability. **Proposed s.98G** in the Bill contains similar provisions with regard to the PELS. The limit on student debt to the Commonwealth will be applied as follows:

- **Proposed s.106ZD** will enable the Minister to determine the maximum permitted debt that can be contracted by any person under the provisions of the HEFA (ie. the combined debt from the HECS, OLDPS and the PELS)
- The Commissioner of Taxation must notify the student and the institutions in which they are enrolled if their indebtedness exceeds the maximum permitted debt - this is called a 'loan limit notice' (**proposed s.106ZE**)
- Under **proposed s.106ZG** the Commonwealth will not have an obligation to lend to any student who has been the subject of a loan limit notice, and
- If a person who has received a loan limit notice enrolls in a HECS course, then the Commissioner must issue a "suspension notice" to the relevant institution which will require it to cancel the enrolment unless the student pays the HECS contribution (**proposed s.106ZH and s.106ZJ**).

Item 3 of Schedule 4 amends s.110(b) to provide that Ministerial determinations of the maximum permitted debt will be disallowable instruments.

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Students Assisted by the Scheme

In his Second Reading Speech, the Minister stated that it is expected that the loans provided under the scheme would amount to some \$995 million over the next five years and would assist about 240 000 students. It should be noted that this is the total of the students who will take out a loan each year, and thus does not represent 240 000 individual students. In the year 2000 there were 80 311 non-overseas students undertaking non-research postgraduate courses. In full-time equivalent terms, these students constituted 40 098 EFTSU. That is, the average student was undertaking half a full-time load. As the full-time duration of these courses is 1-2 years, the average student would take from 2-4 years to complete a course. This would seem to indicate that the number of individual students assisted by the PELS over five years would be in the 100-120 000 range.

Costing the Scheme

The Department has estimated that 45 589 students (22 100 EFTSU) will take out a loan in 2002, and that this number will increase by around 2.6 per cent each year. The average annual loan will be around \$4140 per student (or \$8550 per EFTSU).²⁴

As indicated earlier, the Government estimate of the impact of the PELS on the budget bottom line did not take into account the likelihood of bad debts. Under accrual accounting, outlays on HECS and PELS are classified as financial assets, which will be repaid over time. They do not, therefore, have a major effect on the budget bottom line. However, the schemes do have some impact: the indexation of debts under the schemes produces some additional revenue, which must be offset against the costs of administration and of those debts that will not be repaid. The Government has estimated that it will receive around \$38.8 million in revenue from indexation over five years, with departmental expenses around \$2.3 million.²⁵ The estimate of bad debts is \$134.9 million over the five years, or 13.6 per cent of the amount lent to students. The bad debt ratio under HECS has varied from 13.5 to 18.0 per cent over the last five years, with an average of 16.1 per cent.

Possible Impact of the Scheme - the Chapman Submission

Professor Bruce Chapman, in a submission to the Senate higher education inquiry, has produced a series of projections which indicate a wide variation in the rate of subsidy for students under the PELS scheme.²⁶ The size of the subsidies (which exist because of the absence of a real interest rate) depends upon the initial size of the loan and the length of the repayment period. Of course, these interest subsidies are already a feature of HECS, which also contains other forms of cross-subsidisation. For example, the HECS rate for some courses (medicine, dentistry, veterinary and agricultural science) is a much lower proportion of the cost of the course than that applying for other courses (eg. humanities, economics and law). This means that there is an effective subsidy of the former by the latter. It might also be argued that a PELS type scheme will reduce this kind of cross-subsidy, as fees set by the institutions are more likely to reflect actual course costs than a narrow range of charges set by the Government, as with HECS.

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Professor Chapman's submission argues that the subsidies implicit in the PELS scheme will reduce the effective cost for students. This will, he proposes, increase the demand for postgraduate courses which in turn will lead to pressure for universities to increase nominal fees. As the same tendency will apply to all universities, competitive pressures are unlikely to diminish the likelihood of fee increases.

Professor Chapman identifies three possible policy responses:

- capping the total amount a student can borrow;
- capping the fee levels; or
- introducing a discount for up-front payments.

Chapman argues that the first option, which the Government has adopted, is the least desirable. This is because the cap will probably be below the level of some fees, and thus an upfront charge would remain for some students. He advocates the third option (up-front discounts) as this would be consistent with HECS. It should be noted that Professor Chapman is a strong supporter of the concept of the scheme, as it will improve access to postgraduate studies and result in a better workforce.

An alternative view is that the current provisions of the HEFA are sufficient to enable the Minister to monitor and prevent excessive fee increases.²⁷ Section 18(1)(g) already requires institutions to provide the Minister with any relevant information he requests. **Proposed section 98J** will also require institutions to provide information regarding students undertaking courses that are eligible for the PELS. Individual operating grants for universities are not specified in the HEFA, but are provided as the Minister determines, having regard to the educational profile of the institution. Such profiles are the subject of consultation between the institutions and the Department. Thus it would be quite possible for the Minister to reduce the operating grant of any institution that sought to exploit the introduction of the PELS by excessively raising fees.

The Government's preference for a cap on student debt rather than an upfront discount can be explained in fiscal terms. The up-front discount has a direct impact on the budget bottom line, as the Government has to pay 25 per cent of those fees paid up-front to institutions. For example, if ten per cent of the estimated 45 589 PELS recipients for 2002 paid upfront and received a 25 per cent discount, it would cost the Government around \$4.7 million.

PELS and HECS-liable Postgraduate Places

Another possible impact of the scheme will be to accelerate the replacement of HECS-liable postgraduate places with full-fee places and thus increase the proportion of higher education costs borne by students.

There are now over 14 700 non-research HECS-liable postgraduate places. The annual HECS contributions in 2001 are \$3521, \$5015 and \$5870 for the three different bands of

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full-time courses. These amounts are well below the estimate of around \$8550 per EFTSU under PELS, so there will now be an incentive for institutions to convert some of their HECS-liable places to postgraduate fee places for new students. This conversion of places may be criticised by students, because it will lead to an increase in charges. However, others may argue that it has the following benefits:

- it will help remove an anomaly from the system, whereby some postgraduate students are funded through HECS and thus have access to the up-front discount, while those paying full-fees through the PELS will not;
- it may enable an expansion of undergraduate places (because the HECS-liable places taken by postgraduates will be released and institutions should be able to offer them to undergraduates).

It should be noted that institutions will not be able to convert HECS-liable places in courses required for initial registration for general nursing, or teaching, or which would allow provisional registration as a medical practitioner, unless the Government amends the guidelines made under s.13(1) of the HEFA.

Economic rationalists might argue that, in the longer term, the replacement of HECS-liable places by PELS places would create a more commercial market for postgraduate education. Prices (or fee levels) would be set by the providers on the basis of cost and demand, rather than by the government. The relative teaching costs of non-research postgraduate courses have been estimated to be up to 40 per cent higher than undergraduate degrees, so the provision of places on a HECS basis represents a considerable under-pricing of some courses.²⁸ It might also be argued that the availability of these 'cheap' degrees has helped promote 'degree inflation' or credentialism, and that Australia is now producing more postgraduates than it needs.

The alternative viewpoint is that non-research postgraduate education, like higher education in general, must be subsidised to ensure a skilled and adaptable workforce to meet the changing needs of modern society. Deficiencies in the market mean that in certain areas, such as teaching and nursing, subsidies must continue to be provided to ensure that an adequate range of skills are available in the community.

Establishment Grants for New Non-government Schools

Establishment assistance for new non-government schools was introduced under s. 75 of the *States Grants (Primary and Secondary Education Assistance) Act 2000*. The purpose of this assistance, as stated by the Minister for Education, Training and Youth Affairs, is 'to assist new non-government schools with the costs incurred in their formative years and to enable them to be competitive with existing schools'.²⁹

The Quadrennial Administrative Guidelines for Schools³⁰ states that these grants are available for all newly commencing non-government schools in receipt of Commonwealth

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general recurrent grants, except those new schools formed as a result of the amalgamation or separation of existing funded schools. These grants were also made retrospective for those newly commencing non-systemic schools that applied for Commonwealth general recurrent funding after 11 May 1999 and which were approved with effect from 1999 or 2000. The Guidelines further state that the grants will be paid automatically to eligible schools with no requirement for schools to apply for the grants.

Establishment grants for eligible new non-government schools are paid on a per capita basis. For the 2001 program year grants will be paid at the full-time equivalent (FTE) per capita rate of \$500 for the first year of the school's operation and \$250 per student for the second year of operation.

Part 1 of Schedule 2 of the Bill amends Schedule 7 of the original Act, increasing the allocation for these grants for the program years 2001 to 2004. The original allocation was projected using 1999 FTE census enrolments for new non-government schools. However while the number of new non-government schools approved for Commonwealth recurrent funding in 2000 was less than those approved in 1999, (37 compared to 39), the numbers of students in these new non-government schools have escalated, from 1692.4 FTE census enrolments in 1999 to 3399.4 in 2000.

Main Provisions

Item 1 of Schedule 1 substitutes new funding levels for university operating grants for 2001 and 2002.

Item 2 of Schedule 1 inserts a new funding cap for 2002 grants made by the Australian Research Council.

Item 3 of Schedule 1 substitutes new funding levels for research and other grants for universities in 2001 and 2002.

Item 1 of Schedule 2 substitutes new funding levels for the establishment grants for new non-government schools.

Item 5 of Schedule 3 inserts a new chapter 4A in the HEFA establishing a post-graduate loans scheme.

Item 2 of Schedule 4 inserts a new chapter 5B in the HEFA enabling the setting of a limit on student debt to the Commonwealth. **Proposed s.106ZD** enables the Minister to make a determination specifying an amount that is the total maximum permitted debt that can be owed by any student under the HECS, PELS and OLDPS.

Item 3 of Schedule 5 inserts a new ss.56C, 56D, 56E in the HEFA enabling institutions and students to communicate electronically with regard to certain requirements of the Act.

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Endnotes

- 1 Information on the Plan can be obtained from <http://www.innovation.gov.au/iap/index.html>. A brief prepared by the Parliamentary Library, *Cultivating Innovation* is available at <http://www.aph.gov.au/library/intguide/sci/innovation.htm>. This contains background information on R&D and innovation policy, with links to all major government reports, policy documents and statistical sources.
- 2 The impact on the fiscal balance reflects government resourcing, expected revenue and foregone revenue. Components may not sum due to rounding. The table has been taken from http://www.innovation.gov.au/iap/policy_launch/templates/factd26.doc?ois=y;template=inntem.html
- 3 Penny Fannin, 'Scientists happy but students feel left out', *The Age*, 30 January 2001.
- 4 Gerard Noonan and Aban Contractor, 'Valuable start to retooling run-down uni facilities', *Sydney Morning Herald*, 30 January 2001.
- 5 Ian Chubb, 'Deposit on a smart future', *The Australian*, 30 January 2001.
- 6 Robin Batterham, 'A vote for intelligence', *The Australian*, 30 January 2001; Simon Grose, 'Top scientists applaud 'an astute mix' for labs', *The Canberra Times*, 30 January 2001.
- 7 John Boshier, 'Action plan needs leadership', *The Age*, 5 March 2001.
- 8 Peter La Franchi, 'Start-ups not the way to go', *Financial Review*, 16 February 2001.
- 9 'Package get the balance right', *Financial Review*, 30 January 2001.
- 10 Simon Grose, 'Funding to look forward to', *The Canberra Times*, 1 February 2001; Stephen Brook, 'Scientists on tenterhooks', *The Australian*, 2 February 2001.
- 11 'Innovation now takes centre stage', *The Australian*, 30 January 2001
- 12 *ibid.*; 'Research about-turn', *Sydney Morning Herald*, 30 January 2001.
- 13 'Research about-turn', *Sydney Morning Herald*, 30 January 2001.
- 14 Andrew Norton, 'All very well, up to a degree', *Financial Review*, 30 January 2001.
- 15 Alan Wood, 'No productive gains in throwing money', *The Australian*, 30 January 2001.
- 16 Michelle Singer and Chelsey Martin, 'Research funds too small: unis', *Financial Review*, 12-16 April 2001.
- 17 This table was provided by DETYA.
- 18 HECS contribution rates are indexed annually on the basis of movements in the Higher Education Operating Grants Index.
- 19 See the answer provide to DETYA Question No.E372, Senate Legislation Committee, 2000-01 Additional Estimates Hearing, 22 February 2001.
- 20 The guidelines for postgraduate fees can be obtained from the following page <http://www.hecs.gov.au/manual/01/htm/guidelines/feepayin.htm>

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- 21 This committee was established by the Minister for Employment, Education, Training and Youth Affairs in November 1994 to assess the impact of the deregulation of postgraduate fees.
- 22 DETYA, *Selected Higher Education Student Statistics* (annual). EFTSU are equivalent full-time student units.
- 23 Detailed information on the HECS is available from the Parliamentary Library brief at <http://www.aph.gov.au/library/intguide/SP/HECS.htm>
- 24 This costing assumes that the \$995 million will be spread over the five years in the same proportion as the estimated number of recipients.
- 25 Senate Employment, Workplace Relations, Small Business and Education Legislation Committee, Examination of Additional Estimates 2000-01, 21-23 February 2001. Additional Information Received, Education, Training and Youth affairs Portfolio (Vol.2, April 2001), DETYA Question No.E359.
- 26 Professor Chapman is from the Centre for Economic Policy Research at the ANU. He was a consultant to the Wran Committee, which recommended the introduction of HECS in 1988. Professor Chapman's submission is to the Senate Employment, Workplace Relations, Small Business and Education References Committee Inquiry into the capacity of public universities to meet Australia's higher education needs.
- 27 For a detailed description of the higher education funding system, see the Parliamentary Library brief at <http://www.aph.gov.au/library/intguide/SP/HEFunding.htm>
- 28 The Relative Funding Model weighted undergraduate courses in the range 1.0 to 2.7, while non-research postgraduate courses ranged from 1.4 to 3.0, depending upon the discipline.
- 29 Dr the Hon D. Kemp, House of Representatives, *Debates*, 6 September 2000, Second Reading Speech.
- 30 Department of Education, Training and Youth Affairs (2001), *Commonwealth programmes for schools: quadrennial administrative guidelines 2001 to 2004*, DETYA, Canberra, p. 29.

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