

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2005-2006 BUDGET ESTIMATES HEARING

Outcome: 2

Output Group: 2.4 – Funding for Higher Education

DEST Question No. E359_06

Senator Carr provided in writing.

Question:

- a) In my opinion, the Group of Eight's position paper on indexation provides an extremely comprehensive treatment of the history and context surrounding higher education indexation. Would you agree?
- b) It also presents a cogent analysis of the nature and characteristics of the various relevant possible indexation mechanisms, doesn't it?
- c) Doesn't this paper make the point that the current arrangements – the ones the Government has decided to retain – do not in fact reflect actual increases in costs, on any measure – even a measure stripped of productivity factors such as the Labour Cost Index?
- d) The paper quotes the 2003-05 *Higher Education Report* that refers to the CAF as reflecting "*the contribution the Commonwealth makes towards increases in...operating costs...The CAF does not measure actual price rises,*" it says.
- e) The NTEU also wrote to the Minister concerning this review. The analysis presented in this letter broadly reflects that provided by the Go8, doesn't it? It also takes a similar position to that taken by the Go8 and AVCC – calling for an index based on the Labour Cost Index (education) and the CPI?
- f) So we have three of the central stakeholder groups in the higher education sector, all saying the same thing, and DEST responds by asserting that the proposal isn't appropriate because the Labour Cost Index (now Labour Price Index, but very similar) doesn't exclude productivity factors. But in fact it does exclude such factors, doesn't it?
- g) Isn't the problem essentially one for Treasury and Finance? Isn't the Government's problem really that a change in the Higher Education Indexation Factor, the HEIF, would set a precedent for all those other Commonwealth programs languishing on an index related to the SNA?
- h) So this explains why the review plumped so resoundingly for the status quo, without adequate rationale or argument, doesn't it?

Answer:

Indexation Review: Go8 paper and NTEU letter to Minister

- a-d) The Go8 paper provides a general survey of the history and context of indexation and describes a number of alternative mechanisms and the way in which they could work.
- e) Yes.
- f) The Australian Bureau of Statistics advises that the Labour Price Index includes productivity factors.
- g) Consistency in the application of indexation methodology was one of the factors considered in the review.
- h) No. A range of factors was taken into account, as explained in the published review.