



COMMONWEALTH OF AUSTRALIA

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## SENATE

EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
LEGISLATION COMMITTEE

**Reference: Higher Education Funding Amendment Bill 2002**

THURSDAY, 8 AUGUST 2002

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE**  
**EMPLOYMENT, WORKPLACE RELATIONS, AND**  
**EDUCATION LEGISLATION COMMITTEE**  
**Thursday, 8 August 2002**

**Members:** Senator Tierney (*Chair*), Senator George Campbell (*Deputy Chair*), Senators Barnett, Carr, Johnston and Stott Despoja

**Participating members:** Senators Abetz, Boswell, Calvert, Chapman, Cherry, Jacinta Collins, Coonan, Crossin, Eggleston, Chris Evans, Faulkner, Ferguson, Forshaw, Harradine, Harris, Hutchins, Knowles, Lightfoot, Ludwig, Mason, McGauran, Murphy, Nettle, Payne, Sherry and Watson

**Senators in attendance:** Senators Carr, Crossin and Tierney

**Terms of reference for the inquiry:**

Higher Education Funding Amendment Bill 2002

**Committee met at 9.00 a.m.**

**CHAIR**—I declare open this public hearing of the Senate Employment, Workplace Relations and Education Legislation Committee. On 19 June 2002, the Senate referred to its committee the provision of the Higher Education Funding Amendment Bill 2002. This bill is intended to give effect to the commitment made by the coalition during the 2001 federal election to bring four private higher education providers within the provisions of the Higher Education Funding Act 1988 in order that postgraduate students attending those institutions may have access to the Postgraduate Education Loans Scheme, PELS. The four institutions are Bond University, the Melbourne College of Divinity, the Christian Heritage College and Tabor College South Australia.

Before we commence taking evidence today, I wish to state for the record that all witnesses appearing before this committee are protected by parliamentary privilege with respect to the evidence provided. Parliamentary privilege refers to the special rights and immunities attached to the parliament or its members and others which are necessary for the discharge of parliamentary functions without obstruction and fear of prosecution. Any act by a person which operates to the disadvantage of a witness on account of evidence given before the Senate or any of its committees is treated as a breach of privilege. I welcome observers to this public hearing.

[9.01 a.m.]

**BEIRNE, Dr Paul Leo , Dean, Melbourne College of Divinity**

**FINCH, Mr Alan Douglas, Registrar and Company Secretary, Bond University**

**MILLIS, Pastor Brian David, Principal, Christian Heritage College**

**SLAPE, Reverend Dennis Stanley John, Executive Director, Tabor College (South Australia)**

**CHAIR**—I would now like to welcome the first group of witnesses from Bond University, the Melbourne College of Divinity, the Christian Heritage College and Tabor College South Australia. The committee has before it submissions Nos 1, 1A, 3, 4 and 8. Are there any changes that witnesses wish to make to any of these submissions?

**Rev. Slape**—Yes. I would like to be given the opportunity to table a further document from Tabor College, which is a response document to some of the reports that have been submitted.

**CHAIR**—Is there any objection to that document being tabled? There being no objection, it is so ordered. The committee prefers all evidence to be given in public, but if at any time you wish to give any evidence, part of evidence or answers to any questions in camera, you may make a request to the committee. The committee will consider the request, but such evidence may subsequently be made public by order of the Senate. I now invite each organisation in turn to make a brief opening statement before we move on to questions. I will emphasise the word ‘brief’ because we do have four institutions appearing in the one session. Mr Finch, we might start with you.

**Mr Finch**—It would perhaps be of assistance to the committee if I clarify Bond University’s status in terms of its governance and establishment; I will do no more than that. Bond University was established under an act of the Queensland parliament as a self-accrediting entity. It is operated by the university company Bond University Ltd, which is registered under the Companies (Queensland) Code. As a company limited by guarantee, it is a not-for-profit entity. There are no shareholders; there are no dividends paid; there is no owner other than Bond University. The council, which is also the board of the company, currently numbers 13—nine of whom are external. No directors’ fees are paid. The current financial status of Bond University Ltd is reported annually to ASIC as part of the company’s requirements but, for the information of the hearing, we are currently servicing a significant debt acquired in obtaining our campus. That is really all I want to say at this point.

**Pastor Millis**—The Christian Heritage College was established in 1986 in Brisbane. I do not really want to add much to the submission that we have already presented. I believe the submission addresses the terms of reference. There are perhaps a couple of issues on which I would like to expand later on, but I am sure they will come up in questions, so I will not comment on those.

Briefly, our submission addresses issues related to the college’s role as a provider of initial teacher education. We also address the consequences of the current limitation of PELS to the public sector. We have addressed the provisions creating a new list of unfunded institutions, questions of access and selection criteria, quality, governance and accountability, and, of course, the robustness of academic processes.

I think the only comment that I would like to make by way of introduction is that there have been suggestions that private providers do not have the same kinds of public

accountability as public institutions do, nor do they have the same guarantees of standards. I would like to suggest by way of introduction that I think those suggestions betray a lack of knowledge of what actually happens in private higher education. Private institutions are not at arm's-length from the government and, indeed, have less autonomy than public institutions. I would be happy to expand on those comments in questions.

**Rev. Slape**—Mr Chairman and members of the committee, I would like to thank you for the opportunity to be able to make a statement on behalf of Tabor College (Adelaide). Tabor College has appreciated the opportunity to make an initial and more detailed supplementary submission to the committee. We are also thankful for the opportunity to table today a further document entitled *Tabor College Adelaide Presentation Document*. This extends our earlier submissions and addresses points raised in other submissions included in this inquiry. That was the document that I requested should be tabled, and I appreciate your acceptance of that.

I would like to pick up three or four points. One point relates to accountability and governance. Tabor College's policies and procedures, together with those of the Accreditation and Registration Council in South Australia, ensure a high degree of accountability with regard to course accreditation, registration and auditing. In the area of institutional auditing alone, at least seven comprehensive audits now take place within every five years. These audits address over 100 aspects of the policy and operation of private providers in detail, including issues of governance, equity, financial situation and risk management. They place a very strong emphasis on quality control. In the academic area, numerous checks and balances are in place, including external academic consultation processes, together with the assessment and review of every course offered by the institution by a panel of external assessors every five years.

The second point relates to course standards and accreditation. I need to correct the false impression given by submission 14 that Tabor College's masters degrees are only one to 1.5 years in duration and that they do not comply with the AQF guidelines. In fact, all of Tabor's masters degrees fall within the parameters of the AQF guidelines. None of these degrees can be gained in under two years after the completion of a three-year bachelor award. Some of our masters courses incorporate a graduate diploma as a one-year exit point. This is also fully compliant with the AQF guidelines. All Tabor College's masters degrees require at least two years of study after an ordinary three-year bachelor degree, or at least one year of study after an honours degree or four-year bachelor degree.

The third point relates to external consultation and quality control. Before Tabor College's teacher education courses were submitted for accreditation, the college consulted extensively with stakeholders, including the Teachers Registration Board of South Australia, the three state universities, the Association of Independent Schools of South Australia, the Department of Education and Children's Services, and the South Australian Christian Schools Association.

Discussions were extensively documented. Recommendations generated from this interaction with stakeholders were incorporated into the teacher education courses that are now offered. This process resulted in high acclamation of the college's courses when they were examined by an accreditation assessment panel and has resulted in courses that are now producing graduates who are in much demand. I have a brief quote from a letter from the Registrar of the Teachers Registration Board of South Australia, Wendy Hastings. The letter is attached to the document that has been tabled. The extract from the letter reads:

I am aware that graduates from Tabor College are sought after and have been very successful in gaining employment in both the Government and non-Government sectors in metropolitan and country schools.

In a recent discussion with a Principal in a low category index of disadvantaged (hard to staff) school, I was informed that there were currently five Tabor College students on campus. The school has worked with students from Tabor College for several years and is impressed with their professionalism, commitment, performance and quality of teaching. Similar comments have been made during my discussions with school-based personnel across all sectors.

Thank you.

**CHAIR**—Thank you very much.

**Dr Beirne**—I would also like to thank the committee for this opportunity to respond. I will not repeat what is presented in our MCD submission, other than to say that the Melbourne College of Divinity is constituted by an act of parliament of the state of Victoria 1910. It is a statutory body; a self-accrediting higher education institution under the terms of the Australian Qualifications Framework Register of Authorities. It is also a schedule 1 institution and, for the second year, will be receiving federal funding for research. As outlined in the paper, we adhere strictly to the regulations of the MCD act. The only criterion for acceptance of a student into MCD courses is on academic merit. As a self-accrediting degree awarding body, we are accountable to the government of the state of Victoria through the Minister for Education and Training. As a schedule 1 institution, we will be audited every five years by the Australian Universities Quality Agency, and the audit will be made public.

In conclusion, we welcome the Australian Vice-Chancellors Committee's decision to support PELS funding being made available to students of the MCD and Bond University. We welcome the recommendation of the Minister for Education, Science and Training and the Department of Education, Science and Training to extend PELS so that all self-accrediting higher education institutions, including Bond and the MCD, are placed on an equal footing. Thank you.

**CHAIR**—Thank you very much. I will start by making a contrast between two countries—the USA and Australia. In the USA there is very small provision for private schooling as a percentage of the market but quite extensive provision of private higher education. About a third of the system is private in the United States. In Australia we have the mirror image of that. We have very extensive private provision of schooling—about 30 per cent—and very little private provision in the higher education sector. I was wondering if any of the forum would like to comment on that rather peculiar situation of why there is so little private provision. You might want to refer to the legislative frameworks that we are working under in this country and the culture of this country. I would then like to lead into a brief discussion relating to how we could change that culture. Would anyone like to comment on why we are in this situation of very little private provision and almost all public provision?

**Pastor Millis**—I think it reflects a historical situation where universities established in the 19th century were established as secular institutions. Of course, 'secular' did not mean irreligious, as they had archbishops and the like on their governing councils. I think it reflects perhaps the pioneering history of Australia in the 19th century and that set a pattern for the subsequent development of universities in Australia.

**Mr Finch**—In a sectoral sense, I think there has been a long history of the Australian higher education system replicating the English-Scottish system rather than the US or North American system. Both governments of the day and professionals in the sector have looked to



that model rather than to another. We at Bond were the first to seek to establish a private university.

**CHAIR**—Yes, I would like to explore that in a minute.

**Mr Finch**—There are not many of us even now, although the sector has grown in terms of other institutions which offer private programs at a higher education level.

**Pastor Millis**—I think the extent of private or non-government provision in the school sector reflects the commitment of the Catholic Church to sustaining its own school system in the 19th century and that the development of that in the 20th century has led to a recognition by governments of the principle of choice and of the importance of people being able to choose the education they want for their children. That principle of choice has been enshrined, I think in a fairly bipartisan way, in Australian education, certainly since the 1960s.

**Dr Beirne**—Very briefly—this is not in any way an area of expertise—one distinct difference between the American and the Australian systems is that a lot of the private universities in the United States have at their benefit huge endowments and foundations which help support their students. On a personal level, my wife is an American who went through Vassar, and we would still be paying off and my children would be paying off her schooling if it were not for the endowments and scholarships she received. This is not a tradition in Australia. It is certainly not something to which we have access. I would just like to point that out.

**CHAIR**—Perhaps we can return to the Bond case, because Bond was the first to try to breach the system and create a fully-fledged private university. Mr Finch, perhaps you could briefly outline, in trying to create this new approach, what difficulties Bond found, particularly in terms of the legislative environment they were facing to create a private university. I am talking about the mid- to late- eighties.

**Mr Finch**—The establishment of the university and the legislative framework which was used to enable it to come into existence were, I think, embraced fairly readily by the Queensland government at the time. Indeed, the advisory council which went about formulating what Bond University would be had representation on it from a number of public universities in Queensland. The difficulty has been to establish a critical mass in terms of student enrolments and income and to survive the process of establishing that state. The university's earlier days, as any of you who read the media at the time would know, were difficult.

**CHAIR**—Indeed, this Senate committee conducted an inquiry into Bond University in 1995, which I chaired. That must have been eight or nine years after its establishment and there were still huge financial difficulties at that time, which I believe you have come through.

**Mr Finch**—We have now acquired our campus and that was a very significant issue for us. In terms of the legislative environment, the primary concern we have is the issue being addressed by this committee—that is, access by our students to support provided by government to students at other institutions. That is something which has over time consistently been a difficulty. It was a difficulty with Austudy; we managed to achieve that. It has never been possible for a Bond undergraduate to seek access to HECS. Anyone who comes to Bond must effectively finance their own education, whereas a student in comparable circumstances can go to a government institution, do a similar or different program of study and have access to that support.

**CHAIR**—What has been the effect of this on Bond numbers over time? If you perhaps took two benchmarks like 1990 and 2000, what has happened with the numbers over that period of the university's development?

**Mr Finch**—I should preface my observations by saying that it was never our intention to become large; indeed, our positioning has really focused on being small and providing very good service to our students. But I think the difficulty we have encountered in enrolling domestic students may be best illustrated by pointing to the mix of students we have. At present our international student enrolment runs at about 55 per cent to 57 per cent of our total enrolment. Most of our domestic students are recruited within our regional area; that is to say, south-east Queensland. At the moment I think there is a significant financial disincentive for an Australian student to come to Bond.

**CHAIR**—Could you explain the disincentives in the way the system is set up a little further?

**Mr Finch**—The way the system is set up at the moment precludes a domestic student who wants to undertake an undergraduate program from having access to HECS or any other form of funding. Therefore, either they have to win a scholarship—and we do provide a number of those—or their family has to provide the tuition fees to enable them to complete their degree. We have a loans scheme with our financier, which is in its infancy, but that is really the only access to financial support we can provide for domestic students to study at our institution.

**CHAIR**—Does that loans scheme give them a concessional interest rate or is it just the market rate?

**Mr Finch**—It is just under the market rate, I think, but not by much.

**CHAIR**—Given that Bond has created a private university, it is very likely to survive: it has a good model and it has found a niche market. But, as you say, it only really caters for that corner of Queensland. Why do you think no-one has tried to follow that example in some of the wealthier areas of Australia—say in Sydney, Melbourne or Adelaide?

**Mr Finch**—Establishing a private university is a very expensive proposition. There is a lot to be invested in infrastructure, buildings and so on, which is sunk capital before you start to build enrolments in the institution to a point where you cover your recurrent operating costs. I suppose Bond was fortunate because, at that point in history—and only at that point in history, I would suggest—there was an opportunity for two joint venture partners to fund the start-up phase of the institution. We now operate pretty much hand to mouth. The annual turnover of the institution is in the order of \$65 million, but our structures and the way we run are very lean. Most investment in the operation goes into teaching activity.

**CHAIR**—So there are significant barriers to entry in this whole operation, as opposed to the secondary schooling section where it is a lot easier to set up. You are saying that it is very difficult to set up a private higher education operation in Australia?

**Mr Finch**—I would maintain that that is the case. The initial investment is usually significant.

**CHAIR**—This question is directed to the whole panel. If the climate were more conducive, what benefits would flow from having a higher proportion of private institutions—that proportion is very small at the moment—compared to public institutions?

**Mr Finch**—In our university's view, the advantage would be in providing healthy competition in the sector. We operate differently from public sector institutions, and quite

deliberately so. I think over the time we have operated there has been significant change in the public sector. Some of it might readily be attributed to the way in which Bond has operated in its attention to the needs of its customers, in its leaner operating environment and so on. I think private education is an important component of the sector, and I think it is a healthy thing to have in the sector in providing that dichotomy and the competition.

**Pastor Millis**—I think there are a couple of benefits that arise from private higher education. There is a wider range of course choices than would be available purely in the public sector, a greater diversity of programs and the potential for the expansion of places available without the same level of cost to government. There is also the fact that there are niche interests, or communities of interest, that, by definition, public institutions cannot reach. Private institutions play an important role in serving those kinds of communities of interest that the public sector, by definition, cannot serve.

**Rev. Slape**—In our situation, with particular reference to the teacher training, we commenced the process in that area in the early 1990s. It was our decision to reach out to the public sector initially. We commenced the process in 1993, and we consulted with all three state universities and also with the education department and the Teachers Registration Board. We found that the response overall was very positive, and over the next three to four years we had what I could only describe as very positive support from the universities as well as from the department and the Teachers Registration Board. My comments would be on the effect that we have seen since the implementation of the teacher ed programs in the private sector—where we serve a particular market, if I can use that word—with the number of Christian schools and church based schools, independent schools, that came into being in the mid to late 1970s. We have found that the response from those schools has been outstanding, in the sense that they feel somewhat akin to the Catholic system—which we appreciate and support, of course. They now have an institution where they can gain teachers to teach in their particular setting and teachers who will fit into the structures that they have. I think we have seen an excellent response from both the private sector and the public sector. Funding would certainly enhance that situation, as we have seen in the development of the Catholic sector over the years.

**Dr Beirne**—I would like to focus on the students. I think choice and competition are both very important. If students have a greater choice and are looking at institutions in competition, where the bar is raised higher—and perhaps it would be if funding or income contingent loans were offered to them—their choice could be wider. I think, particularly with niche areas such as religion, theology, divinity—however one would like to define it—they would have a better choice, a wider choice and, as a result of the competition, a better outcome for themselves in regard to learning.

**CHAIR**—There are, of course, quite a number of mechanisms of control and accountability in the public education system in higher education and in the case of your four institutions. I suppose the concern of some people is that if we allow this extension this is public money that is going to support students in private institutions. Earlier in the verbal evidence there were comments on some of these accountability mechanisms. Would other members of the panel who have not commented on that like to comment on the accountability mechanisms that are in place for the proper dispersal of public money and whether there are any reasons for concern about such an extension?

**Mr Finch**—We operate in much the same way as a public university—as a self-accrediting entity. We have a peak academic body within the institution which oversees, monitors and

approves processes, new courses of study and mechanisms for assessment and is responsible for ensuring that the academic entities within the university meet those requirements on an ongoing basis. The university is, like other public sector universities established under acts, required to undergo an audit by the Australian Universities Quality Agency. We are under scrutiny by the Queensland Department of Education because we are established under a Queensland act. But I suggest that one of the most compelling issues for us in terms of our accountability is the need for us to turn out graduates who are sought after by employers, because if we were not to do that we would not have students coming to pay fees at Bond University to do degrees. So it is incumbent on our survival that we operate and produce a quality product.

**Rev. Slape**—In our situation, we are under the Associations Incorporations Act as an incorporated non-profit body. As such, we are required in the financial arena to submit audited statements to the corporate affairs department on an annual basis. As far as governance and accountability are concerned, not only within the college structure are there many committees and many executive bodies that outwork the day-to-day requirements, but the accountability lies very much in the public sector in that we are responsible to the higher education department in South Australia.

As I mentioned in my earlier comments, the accountability in the private sector is very extensive these days, in that, as I mentioned earlier, we are subject now to up to seven audits in a five-year period. We see those as being very extensive in their outworking. A compliance audit that we had last year was spread over a two-month period. There were five auditors appointed through the higher ed unit and two departmental personnel as well as three outside auditors with vast experience in the area and strong connections to the university sector. So the checks and balances are very extensive. Of course, all of our courses are assessed every five years, and in South Australia it is a requirement of the assessment panels that all three state universities are represented as much as possible within the framework of the disciplines that are being addressed. Those representatives from the state universities have to be fully endorsed through the vice-chancellors office in each case with respect to the three state universities.

**Dr Beirne**—We have written it in the submission, but I would just like to point out that, internally, we are directed by boards of studies overseen by the executive of the college and reporting to the minister and, as with Bond University, we will be publicly audited by AUQA. I do not think I need to go into anything further.

**CHAIR**—Thank you. The main effect of this bill, of course, is an extension of PELS to your institutions. What effect do you think this will have in your own institutions if this act goes through? What difference would it make to your own institutions?

**Mr Finch**—It will provide our domestic students, particularly those wanting to be involved in postgraduate course work programs, access to financial support. In terms of the impact on the university numerically, I suspect it will not be all that significant. We currently have just under 200 Australian course work masters students enrolled in our programs, representing about 38 per cent of the total. I would expect that, if PELS became available to those students, not all of them would avail themselves of it—some of them are there supported by their employer—and I suspect that the incremental growth in those enrolments would probably be measured in the tens rather than the hundreds.

**CHAIR**—So the impact, in summary, on your institution is that it will not expand the institution very much. The impact on the public budget would be probably fairly minimal.

**Mr Finch**—I think it would be, yes. The impact on student choice, however, might be significant.

**Pastor Millis**—We would expect some modest growth in postgraduate course work enrolments. It will be modest, but I think the original intention of the PELS scheme was to enhance national investment in higher education. In our case, it will certainly assist people to access the courses and the places in an affordable way and it will help people to invest in their own qualifications and capabilities. The bottom line for the institution would be a modest increase in enrolments—it would be no more than that.

**Rev. Slape**—Our situation would be somewhat similar. I think there would be a modest increase. It would certainly help students who choose to come into a setting like ours. We have had a reasonable flow of inquiries since the policy release, but not excessive, so I would have to say that in our particular setting the increase in numbers in the postgraduate area would be modest, but it would certainly help our situation.

**Dr Beirne**—It certainly would help our students. To give you a very brief profile, about 25 or 30 years ago, 80 to 90 per cent of students at the Melbourne College of Divinity were ordination-track students—training for the ministry. Now the figure is exactly opposite: it is about 85 to 90 per cent lay students, particularly in our postgraduates. This means that these students are not funded by the churches—they are self-funding—and having to pay full fees, usually up-front, is disadvantageous to them, particularly for students taking cross-crediting courses with the University of Melbourne or Monash University, where they are sitting in the same classroom with students who have access to PELS and to HECS, listening to the same lectures, studying the same content and going through the same examination procedures in our institution but are not eligible for those income-contingent loans. So it would be a great benefit for them and it would, naturally, if our student numbers were to increase, assist the institution as well.

**CHAIR**—Thank you. Finally—

**Senator CARR**—Come on, John! The opposition has five minutes to ask questions of these witnesses. This filibuster has got to stop.

**CHAIR**—There is no filibuster, Senator. I will give you the same amount of time as I have taken.

**Senator CARR**—Will you now? We will be here till seven o'clock tonight.

**CHAIR**—Well, that's fine. If I could just ask finally, we have set up the Australian Universities Quality Agency. If this bill went through and you had access to PELS, would your institutions have any problem coming under the auditing provisions of the Australian Universities Quality Agency?

**Rev. Slape**—My understanding in that particular situation is that the Higher Education Unit, certainly in South Australia, will be audited by that group. They are the group that is auditing us on the basis of what I expressed earlier. So I would not see any difficulties.

**Pastor Millis**—In the case of Christian Heritage College, the Queensland Office of Higher Education, as you know, is subject to audit by AUQA and has already had a trial audit by AUQA. As far as the institution is concerned, we would be quite happy to participate directly in AUQA audits. It certainly would be our intention and commitment to participate fully in the national quality assurance arrangements.

**Mr Finch**—We are already subject to audit, Senator.

**CHAIR**—It has been just under half an hour. Senator Carr, you have the same time. Go ahead.

**Senator CARR**—Since nine o'clock we have had about six minutes on this bill. The rest has been basically an exchange between you and the witnesses about the joys of private education.

**CHAIR**—Thank you for your editorial comment. Have you got any questions, Senator?

**Senator CARR**—What we do need to understand is that if you are expecting opposition—

**CHAIR**—Senator, would you like to ask your questions? You are wasting your own time.

**Senator CARR**—If the opposition is expected to consider these matters seriously—

**CHAIR**—And you are grandstanding yet again.

**Senator CARR**—we are entitled to ask some questions about the nature—

**CHAIR**—What is your first question? Go ahead and ask.

**Senator CARR**—There are about 80 or 90 private providers operating at the moment in Australia. That is the information that we have been given. Why should your four organisations be the only ones to have access to this measure? I ask any of the witnesses to respond.

**Mr Finch**—I don't know that they necessarily should be the only four, Senator. I think it is a matter for government decision. You will have the opportunity to speak to other witnesses representing the private higher education sector later today, who will probably give you a more informed view than I could.

**Senator CARR**—Is it the view of all of you that all private providers should have access to this measure?

**Pastor Millis**—Senator, I would regard the extension of PELS' eligibility to accredited private providers as good policy and, as such, I would not advocate that it should be limited just to the four institutions represented here.

**Rev. Slape**—Our institution would have a similar attitude to that, Senator.

**Dr Beirne**—I would think that, yes, we would have no objection to that. That is not a decision that we have to make. One would hope that the same rigorous examination or standards would apply across the board to all of those. I think that would be the very important thing we would have to look at, and that is not a call that we have to make.

**Senator CARR**—I appreciate the point you make. So the position of your institution would be that, in return for public subsidies, there should be a rigorous public accountability mechanism?

**Dr Beirne**—Certainly.

**Senator CARR**—Would you say that the state would be entitled to actually have a good look at what is going on inside the institution, and be confident that the same arrangements apply to all institutions that are receiving public subsidies?

**Dr Beirne**—Senator, this is not a process that we are going through; the others are. Someone has mentioned that AUQA does do an audit of the state institutions who—

**Senator CARR**—That would be your view. I was wondering if the other witnesses could give us a view on that. Do you think the same level of accountability to the state should apply

to you? And I don't mean state governments here; I am talking about the Australian state. For want of a better description, perhaps, in terms of DEST and the profiles process, for instance, of the Commonwealth HEFA Act, do you think those sorts of provisions should apply to you?

**Rev. Slape**—In our situation, I do not believe we would have any problems with that. My understanding, through the department's report, is that if PELS was applied in our situation, that reporting would commence almost immediately. Overall, we would have no problem with that.

**Senator CARR**—Thank you.

**Pastor Millis**—I preface my remarks by suggesting that PELS is primarily a benefit to the student rather than a subsidy to the institution. That should be borne in mind. But, having said that, we would already see ourselves as being in a situation where we are publicly accountable. We would have no problem with further measures of public accountability to the Commonwealth in relation to participation in PELS.

**Senator CARR**—I would like to be clear about that. The other witnesses were saying 'Yes, all the same provisions that apply to the public sector should apply.' Are you saying that to everything?

**Pastor Millis**—I would preface my remarks by saying that I do not know what all of the provisions that apply to the public sector imply in every detail. But, certainly, as a general principle, we have no problem in being accountable for—

**Senator CARR**—As a general principle, if you receive public subsidies, you should be accountable or have the provisions of all other institutions applied to you as apply to them.

**Pastor Millis**—Yes.

**Mr Finch**—My view would be somewhat different. I, too, would make the point that we are not talking about a public subsidy to the university, we are talking about access to loans for the student. The profiles process, as I understand it—and I have not been involved in one for quite sometime—controls to some degree the activities of the university in terms of where it concentrates student loan and so on. Bond at the moment makes those decisions itself. I think it would choose to continue to do so. However, we have no problem with scrutiny and, as I have said—

**Senator CARR**—It is the difference between scrutiny and accountability. Bond has always taken the view that they want to hold themselves apart from the public sector in terms of the provisions that currently apply to the public sector. We have heard from the other three witnesses that they do not hold that position. Have I understood the other witnesses correctly?

**Pastor Millis**—I make a qualification that if you are talking about accountability then I see no problem with that. If you are talking about public direction of private institutions then I think there would be issues there that we would want to consider.

**Senator CARR**—Surely the principle, as you have just said, is the critical factor here—that if you receive a public subsidy then a level playing field should apply. The level playing field that applies to the public sector is that the Commonwealth Department of Education, the Commonwealth parliament, in fact, insists as a matter of law that you provide information about your staffing, fees, course load, that you meet equity requirements and policy requirements with regard to entrance and exclusions. There is a whole range of provisions there. Is that the policy of your college—that you would accept that in return for public subsidy?

**Pastor Millis**—The answer to that would be, generally, yes. I think the issue of whether that would involve the establishment or profile of an agreed number of places and that kind of thing is something we would want to consider further.

**Senator CARR**—Reverend Slape, what if the parliament said to you, ‘You can have access to public moneys but you must meet exactly the same requirement as public sector institutions’? How would you respond to that?

**Rev. Slape**—My response would be, basically, yes. Based on some of the areas you highlighted just a moment ago—the six or seven areas you mentioned—we are already doing that within the state of South Australia. I respect that this is a Commonwealth matter. Like one or two of my colleagues, I would be very keen to be privy to all the details and structures so that we can—

**Senator CARR**—Would you like to take that on notice? I think that is really an important point. If you are asking this parliament to give you access to public funds then you had better know what the terms and conditions are, surely. If you are not certain of what I am saying to you—perhaps you want time to think about it—please take it on notice. With regard to the Melbourne College of Divinity, you are part of a public sector institution. The same provisions already apply, as I understand it, to your institution. I am interested in what I call the ‘purely private’ organisations and whether the same provisions would apply to you. Would you like to take it on notice, or are you happy with your answer?

**Rev. Slape**—I think we do understand the various structures that are there, and we are saying that we are willing to be accountable. I think some of those points are highlighted in our response paper.

**Senator CARR**—Looking at the possible financial implications from the Commonwealth’s point of view, how many people do you think will be taking PELS up if your request is agreed to?

**Pastor Millis**—I think the government’s estimate of 2,000 places over four years is probably fairly much in the ballpark.

**Senator CARR**—And for your institution?

**Pastor Millis**—Maybe 150.

**Senator CARR**—What fees do you charge at the moment for postgraduates?

**Pastor Millis**—In our case, a postgraduate unit is \$700. So for a year of full-time study it costs \$5,600.

**Senator CARR**—What sorts of occupations does that lead to? How many would be going into ordination?

**Pastor Millis**—None, or possibly one or two. The majority of our graduates or postgraduates of the course work programs would either be going into the counselling profession or undertaking professional development in teaching.

**Senator CARR**—How many postgraduate course work graduates do you have? How many would go through the system at any one time?

**Pastor Millis**—At the moment, under 100.

**Senator CARR**—What would the average starting salary be? Would they be in religious organisations or government schools?



**Pastor Millis**—The majority of our postgraduate course work students are already employed. They, by and large, would be employed in government or non-government schools and being paid award rates.

**Senator CARR**—You would expect that, after a ten-year period, they would basically be on award rates? They would be over the threshold, would they?

**Pastor Millis**—Yes.

**Senator CARR**—I ask the Reverend Slape the same series of questions. What sorts of fees do you charge?

**Rev. Slape**—In the postgraduate area the total figure per annum ranges from \$4,880 to \$6,950.

**Senator CARR**—How many students do you have?

**Rev. Slape**—Over the next three-year period we will have up to about 120.

**Senator CARR**—How many do you think would take up the PELS arrangement? Of the 2,000, how many would be attracted to your college?

**Rev. Slape**—It would be difficult to say but, of the 120 that I have suggested, maybe 60 per cent.

**Senator CARR**—What would the average starting salary be for those graduates?

**Rev. Slape**—In our case, some of those folk would be in the counselling area, and we are finding that the graduates in that particular area are starting up their own clinics or practices, so it would be difficult to say—maybe in the vicinity of \$45,000 to \$50,000.

**Senator CARR**—The starting salary is \$45,000?

**Rev. Slape**—No—probably around the \$40,000 mark.

**Senator CARR**—That is quite good, isn't it? It is considerably more than a school teacher would get.

**Rev. Slape**—I am not sure that would be the figure, but I appreciate your comment.

**Senator CARR**—Would you have many graduates that would be ordained?

**Rev. Slape**—There would be a small percentage.

**Senator CARR**—How much does a minister receive?

**Rev. Slape**—Probably around the \$35,000 mark.

**Senator CARR**—Do they pay tithes and things like that? Does that come off that figure? That is not taxable income is it? What is their taxable income?

**Rev. Slape**—The taxable income would be around the \$35,000 mark. There is no tax deductibility, to my knowledge, for tithing.

**Senator CARR**—Is that right? And in 10 years time, do you think they would be earning in excess of that? The money obviously does not go down, does it?

**Rev. Slape**—Referring to ministers?

**Senator CARR**—Yes.

**Rev. Slape**—It is very slow to increase, Senator. I suggest it would go up to \$40,000.

**Senator CARR**—What is the average age of your postgraduate students?

**Rev. Slape**—Probably between 30- to 40-years-old.

**Senator CARR**—Pastor Millis, would you be able to help us out on that question? What is the average age of your postgraduate students?

**Pastor Millis**—They would mainly be between 40- to 50-years-old.

**Senator CARR**—Forty- to 50-years-old?

**Pastor Millis**—Yes, certainly for postgraduate course work.

**Senator CARR**—So their opportunities to repay these loans may be somewhat limited, if they are 40- to 50-years-old?

**Pastor Millis**—I could not speculate on that.

**Senator CARR**—It is an important question because the issue of repayable loans is at the core of this matter. It is important to us to establish precisely what the cost to the Commonwealth is, and that is why I asked those questions. If the people are not graduating until they are 50, on the salaries that you have indicated, it may be quite some time before they are able to repay the loans—in fact, for some of them, to be required to repay the loans. Would you agree?

**Pastor Millis**—It is not an entirely hypothetical question.

**Senator CARR**—No, it certainly is not.

**Pastor Millis**—I am not a master of the tables that say how long it takes to repay a loan of a certain kind depending on salary level but, yes, clearly it will take people some time to—

**Senator CARR**—Yes, but it is more than just that. If persons are receiving an income-contingent loan from the state, and their income does not reach the threshold or is just above the threshold, it may well be that it is not a loan at all but a gift.

**Pastor Millis**—Perhaps a person graduating at 50 may have some difficulty in repaying it, but someone graduating at 40—

**Senator CARR**—Yes, that is true, but that is the point I am trying to make. How many of your students would fit into the category of actually being provided with a gift rather than a loan?

**Pastor Millis**—I could not speculate on that. I would not know.

**Senator CARR**—Would you be able to take that on notice for me? I would appreciate it. I would expect that you have done some sums in this regard. You have a reasonable estimate of the number of people that are likely to take up this offer. I would hope that you have done some calculations on the repayment schedules because that would be part of the proposition you would be putting to students, wouldn't it? 'This is what we can offer you and this is what it is going to cost you.' Reverend, have you undertaken any calculations along those lines—as to the numbers and the rates of repayment?

**Rev. Slape**—Not in any detail, no.

**Senator CARR**—What detail have you undertaken?

**Rev. Slape**—Obviously at this stage we are still waiting for a final decision.

**Senator CARR**—I think you said between 60 and 80 students would take up this offer in your estimates. How many do you calculate would actually be at or around the threshold level

when they commenced employment, and how many do you think would be at or around the threshold level, say, five years after they commenced employment?

**Rev. Slape**—I would not be sure at this stage.

**Senator CARR**—I wonder if you could take that on notice for me. The two other witnesses might feel relaxed that they have not had many questions on this line, but I take it that a similar set of calculations would apply to you, Mr Finch, wouldn't it, that most of your graduates would in fact be over the threshold limit.

**Mr Finch**—I think all of them would.

**Senator CARR**—Dr Beirne?

**Dr Beirne**—Most are currently employed.

**Senator CARR**—I expect that. That is why I have not pursued it. I turn to the issue of quality assurance, which is a fundamental issue to our international reputation, not just our domestic reputation, as a provider of high-quality education. Can any of you tell me what accreditation of the institution has been undertaken by regulatory authorities in Australia? I do not mean courses. Let me say for argument's sake that we accept that all your courses are first-rate and that your teaching is first-rate. Reverend Slape, when was the last time your institution was accredited by a regulatory authority in Australia—not the course but the actual institution itself?

**Rev. Slape**—That is part of the five-year process in the sense that there is the accreditation process and then there is the RTO status, the recognised training organisation status.

**Senator CARR**—So you are a registered training organisation.

**Rev. Slape**—That is correct.

**Senator CARR**—For vocational education.

**Rev. Slape**—We have a letter on file that dates back to either 2000 or 2001 where we in fact raised this question with the then minister of education in South Australia, Malcolm Buckby. You may not have seen the letter, of course, but we included it in the attachments to our presentation. He declared us at that point in time, based on reporting and so on, as a higher education institution.

**Senator CARR**—Yes, but what was the accreditation process that the minister undertook to make that declaration?

**Rev. Slape**—He would have been advised by his department, and in this case it is the quality branch—

**Senator CARR**—I am aware of the quality branch of the South Australian education department. I do not know how many people they employ these days but I understand it is a very small number. What accreditation process was undertaken to determine that ministerial letter? An RTO status is for vocational education. What arrangements did you enter into, what accreditation process did you enter into as an institution, to give you an accredited status on the provision of higher education?

**Rev. Slape**—As you know, in South Australia the act covers both the VET sector and the higher education sector. With respect, the quality branch in South Australia is quite a large department and it has a number of employees, and the department is actually divided into the two sections. I believe the last time there were excessive checks and balances in relation to

our organisation as it relates to ability to deliver would have been last year through the major compliance audit that I referred to, which was conducted over a two-month period.

**Senator CARR**—But, Reverend Slape, the question went to your accreditation as a higher educational institution—not an RTO, which is for vocational education. I am sure you appreciate the difference. I ask again because I am not clear about your answer: what institutional arrangements were made to accredit your institution—not your courses but your institution?

**Rev. Slape**—I believe it was through the processes that I have indicated. You used the term ‘RTO status’ but, quite separate from any subdegree or VET sector programs that we have, the major processes were carried out with regard to the higher ed sector. Those processes take place as part of the accreditation process, with the assessment panels that are appointed. In our case, most of the panels—and this is a five-year cycle—would address not only the course structure, the curriculum and so on but also all areas of staffing, library facilities, the facility itself, and all of the financial areas. That was done within the context of us delivering the higher education programs—the undergraduate and postgraduate programs.

**Senator CARR**—I appreciate that with regard to the programs, but do you report to the auditor-general in South Australia, for instance?

**Rev. Slape**—No.

**Senator CARR**—What about the ombudsman?

**Rev. Slape**—No.

**Senator CARR**—Do you think you should?

**Rev. Slape**—We would be happy to.

**Senator CARR**—With regard to the governance of your institution, do you think there should be outside personnel appointed to the governing council?

**Rev. Slape**—In our case, we have a board of directors. Then we have an executive committee, which involves elected representatives from the faculty and the admin staff; then we have an academic postgraduate subcommittee, which is an internal body; and we have an external postgraduate committee.

**Senator CARR**—I appreciate that, but, if we were talking about the level playing field approach, if you were to compare yourself with other higher educational institutions it would be not uncommon to find, for instance, members of parliament and senior business personnel. You may find prominent citizens—outsiders to the institution who make comment on the administration of the institution. Do you think that is the sort of provision that you would be comfortable with?

**Rev. Slape**—We would not have any problems with that.

**Senator CARR**—Thank you. Pastor, I wonder if you could help us out here. When was your institution accredited, and by what process?

**Pastor Millis**—In Queensland the accreditation processes have involved combining institutional approval and course approval into a single process. That single process looks not only at the course but also at the institution, at matters of organisation, administration and governance, at its statement of mission and objectives, its financial standing, its staffing, its resources, its library facilities and its institutional practices. Up until this point the process in Queensland has involved provider approval and course approval in a single process, which

actually means we have gone through the process of provider approval every time we have gone through the process of course approval—which is over 20 times—and I understand that the MCEETYA protocols do envisage a separate process of provider registration and course approval, and I understand that the Queensland Office of Higher Education is now moving to set up a process for provider approval separate to course accreditation.

**Senator CARR**—So they are not happy with the present arrangements?

**Pastor Millis**—No, they are obeying the government's commitment to the MCEETYA protocols.

**Senator CARR**—Why do you think they need to change them then?

**Pastor Millis**—The Queensland government did not ask me before they signed up to the MCEETYA protocol, so I do not know why they think they need to change them.

**Senator CARR**—Fair enough; you have not been consulted about that. That is a very good answer to a question like that. I take it from Bond that the accreditation has been separate. Do you have any outsiders on the governing council?

**Mr Finch**—Nine of our 13 councillors are external to the university.

**Senator CARR**—Thirteen?

**Mr Finch**—Nine of the 13.

**Senator CARR**—I think I have a firm understanding of how it works with the College of Divinity. Do all your institutions have equal opportunities programs?

**Mr Finch**—In terms of employment?

**Senator CARR**—Employment, staff, access and enrolments.

**Mr Finch**—In terms of employment, staffing and so on, yes, we have policies which I think would be replicated throughout the sector. In terms of student access, we do not, because we have to fund everything that happens.

**Senator CARR**—So you are suggesting that there is a financial criterion there. I accept that. Is it the same with the other witnesses? Do you have equal opportunity arrangements with regard to staffing and student enrolments?

**Pastor Millis**—We do not have formal arrangements. In our submission I have addressed matters that relate to access to the institution. We have policies in relation to grievance procedures, student appeals and so on.

**Senator CARR**—But do you require persons to be of a particular faith to be enrolled?

**Pastor Millis**—I have addressed that in the submission.

**Senator CARR**—Yes, I saw that. Could you go through that with me once again so I am clear about that? As you know, I raised this matter at estimates, and there was a question of the date of salvation on your application forms. Is that still there?

**Pastor Millis**—No. After our discussions with you we took up your advice and have removed it from the application form.

**Senator CARR**—That is very good. So that is no longer the policy?

**Pastor Millis**—When we undertook a review, we discovered that we did not use that information.

**Senator CARR**—So it was superfluous?

**Pastor Millis**—Yes.

**Senator CARR**—And you do not have a policy that you have to be a Christian?

**Pastor Millis**—As we have outlined, we think that with some of our courses that is an essential requirement. There are other courses for which it is not an essential requirement. As a general principle, it is not an essential requirement for enrolment in the college. It may be an essential requirement for admission into certain courses.

**Senator CARR**—Reverend Slape?

**Rev. Slape**—We certainly have policies, and I think some of those areas are referred to in our presentation. Ours is a multid denominational higher education institution. We would have most major denominations represented through the faculty staff and it is the same with admin staff. As far as the student body is concerned, obviously the same approach applies. We would have students, as part of the overall student body, from most major denominations.

**Senator CARR**—Christian denominations?

**Rev. Slape**—Yes.

**Senator CARR**—Do you have exclusion policies for persons who are not Christians?

**Rev. Slape**—If we had non-Christian persons wanting to come into one of our programs, depending on the nature of the program, we would be prepared to look at those situations on an individual case basis.

**Senator CARR**—As at 2 August you still had that provision for the date of salvation on your application forms. Am I correct about that?

**Rev. Slape**—I would think that would be correct. We did not have any discussion with you, Senator—

**Senator CARR**—I am not the regulating authority for your admissions policy—and I am sure you would be very pleased to hear that. I would just say to you that, in terms of the policy framework in which you are asking this parliament to consider when you are asking for public moneys, is it your policy that a person has to meet that criterion of salvation?

**Rev. Slape**—I would say it would be subject to an interview process with the person or persons concerned. We have taken in a handful of students over the years who were not, as you would term it, Christians, and we would have set a few simple guidelines. Our experience in 23-plus years has been that, with the handful who have come in, there have been no problems.

**Senator CARR**—But you are now looking for public subsidies and that puts you in a different framework. As a private institution, there are general laws that apply in this country but, as a rule, you are left pretty much to your own devices. You are now actually seeking to join the broader public system, and different rules apply. If a student changes their attitude once they have entered your college, if they no longer held those values, would they be required to leave?

**Pastor Millis**—In our case the answer would be no. There is certainly no test on graduation or on continuation in a course once a student has been admitted.

**Rev. Slape**—We would have a similar approach to that.

**Senator CARR**—A similar approach to Christian Heritage College?

**Rev. Slape**—Yes. We may have had—

**CHAIR**—I think that will do.

**Senator CARR**—Hang on. This is where we get into problems, as always, because I haven't finished.

**CHAIR**—We will just finish this line of questioning, because we are way over time. I have given you more time than I have had.

**Senator CARR**—Reverend Slape, I am sorry, we cut you short there.

**Rev. Slape**—If a person, after entering a college program, as you suggested stepped back from their Christian position and that was declared, we would obviously do our best to support and help but we would have an approach to allow them to continue and complete their course.

**Senator CARR**—The other part of the process is the issue of research.

**CHAIR**—Senator, we are over time. Would you like to put these questions on notice.

**Senator CARR**—No. This is what happens when you decide that you are going to filibuster.

**CHAIR**—Order, Senator! We will have a short meeting.

**Proceedings suspended from 10.16 a.m. to 10.18 a.m.**

**CHAIR**—Senator Carr has one more question.

**Senator CARR**—I understand the Melbourne College of Divinity has an extensive research program and attracts persons of considerable note—

**Dr Beirne**—That is right.

**Senator CARR**—who are not necessarily Christians. I take it as read that you have an extensive research program?

**Dr Beirne**—Yes, we do.

**Senator CARR**—What does Bond have?

**Mr Finch**—We participate in the ARC and we participate in the higher education research data collection exercise.

**Senator CARR**—May I ask the other two witnesses: what is the nature of your research program and how would you see this measure assisting the research program?

**Pastor Millis**—We would certainly see an increase in postgraduate coursework enrolments as lifting the interest in research within the institution. Some programs such as our MEd have a research track as well as the coursework track. We have a research committee, which is a subcommittee of our academic board, working on the development of what we think is an effective and focused research strategy within the constraints of the resources that are available to us which are, at this point, simply student fees.

We provide staff with study leave—one semester in 10. Up to this point, the majority of that study leave has been taken up with pursuing research higher degrees. The institutional capacity to fund research is limited, but we certainly encourage our staff to be involved. We have a framework whereby the whole college community has gone through a process of identifying the core research interests and has looked at ways in which they can be pursued. Part of that strategy may involve setting up a research institute within the college.

**Senator CARR**—But you do not have one at the moment?

**Pastor Millis**—We do not have one at the moment. The research committee's processes are ongoing.

**Senator CARR**—How many research publications would your staff be involved with? That is a very big word, so it leaves you plenty of scope to tell me, for instance, the citation rates and whether staff edit journals and write articles. How would we measure your research profile?

**Pastor Millis**—We do not keep data on research activity. That may be something that the research committee recommends to us.

**Senator CARR**—If you get this money, you will probably be required to.

**Pastor Millis**—In that case, we would be happy to. We are usually happy to do things that we are required to. We certainly think that a growth in postgraduate programs would facilitate increased interest in research within the college. However, we would argue that we are primarily a teaching institution and we would contest the view that there is necessarily a nexus between a particular kind of scholarly activity, which is generally called research, and standard setting in relation to our teaching.

**Senator CARR**—Surely that was assessed in the evaluation process? That would be the normal criterion for a higher education institution.

**Pastor Millis**—Yes.

**Senator CARR**—It is the criterion at Bond University; it is the criterion at Melbourne College of Divinity.

**Pastor Millis**—Yes. One of the issues that assessment panels have looked at consistently as part of accreditation is the question: does this institution have a research culture? We have satisfied our assessment panels in relation to that criterion.

**Senator CARR**—Reverend Slape, could you assist the committee on the same questions?

**Rev. Slape**—Certainly. I will not refer to the details that we have tried to expand on in our report, but, certainly, we are committed to research. The funding issue is obviously a major one for us, as has been mentioned, in our type of setting. As a faculty we have regular discussions on this area. Provisions are made for our faculty staff to have study leave. Particularly over the last three years, the institution—given its financial position—has granted fairly extensive study leave in relation to a couple of staff members finishing off PhDs. I believe that the culture of the college is to advance in this area. We simply do not have the financial resources. We too are a teaching institution with a fairly major focus in the teacher training area.

**Senator CARR**—Reverend Slape, would you be the same as Pastor Millis in telling us that you would not have information on the number of publications that your staff have involvement with?

**Rev. Slape**—Certainly, staff are contributing, but we do not have documentation on those details at this point in time. Like my colleague, we would be very happy to comply with whatever directives might be given.

**Senator CARR**—I appreciate that. Can I ask both of you: what percentage of your staff would have PhDs?

**Pastor Millis**—In our case, 60 per cent.



**Rev. Slape**—Ours would be fairly close to that.

**Senator CARR**—Both of you say you have a research culture, but no data is kept. How can we verify the nature of the research culture if no data is kept?

**Pastor Millis**—I would simply have to refer to the assessment panels that have conducted the accreditation processes in relation to our courses and have been satisfied on that point. Certainly they have asked lots of questions on that point and have been satisfied that the college was developing a research culture in an appropriate way.

**Senator CARR**—Thank you very much for your evidence today.

**CHAIR**—Thank you.

[10.26 a.m.]

**CHAPMAN, Dr Bruce James, Senior Fellow, Research School of Social Sciences, Australian National University**

**CHAIR**—Welcome. Is there anything you wish to add?

**Dr Chapman**—I should point out that I am a research economist with a longstanding interest in higher education financing, and I have done some analysis of the PELS system.

**CHAIR**—The committee has before it submission No. 5. Are there any changes you wish to make?

**Dr Chapman**—No. I should point out that I put that submission in, although only one small part of it is about PELS for private institutions, but there is analysis of the implications of the PELS system for higher postgraduate fees and for the question of the extent of the subsidies. There are also aspects of that submission which pertain more relevantly to the current higher education review process. I did not have the capacity or the time to be more explicit about it, but you will find about five or six pages in the document analysing the PELS system, what it means for subsidies and charges, and a brief comment on the economic implications of that in the provision of PELS to private colleges and to Bond University.

**CHAIR**—Thank you. The committee prefers all evidence to be given in public, but if at any time you wish to give any evidence, part of your evidence or answers to any questions in camera, you may make the request. The committee will consider the request but such evidence may subsequently be made public by order of the Senate. I now invite you to make a brief opening statement and then we will go to questions.

**Dr Chapman**—I do not have a philosophical view about this issue, nor do I consider myself an expert in the politics of the matter, but I do think I understand a fair amount of the economics. My submission and comments today will be about the implications of applying an interest-free loans system to private providers. There is no doubt—and it has been recognised already in the deliberations this morning—that the PELS arrangements are much more generous than what they would be replacing, that is, up-front fees. There are certain fairly clear implications from that which I presume I will have the chance to develop in detail in response to questions. The most obvious is the nature of a public subsidy.

There is an important public subsidy that will come out of this arrangement and it really can be traced to the fact that there is no real rate of interest on a PELS loan. That subsidy initially, I think—as has been suggested this morning—will go essentially to students. But, over time, I think it will be fairly clear that the capacity for institutions to increase their charges will be strong, as we have seen in postgraduate areas in public universities since the introduction of PELS already this year. In the event that that happens, the subsidy then will become divided between the students and the institutions. Whether or not that is a desirable thing is a matter for government and a matter for policy and I will make no comment on that, but I think that I can establish and recognise the extent and the nature of that subsidy and the potential for its change over time.

**Senator CARR**—Thank you, Dr Chapman, for assisting the committee today. I wonder if you could advise the committee or recap evidence that you have given in regard to the extent of the subsidy itself. What do you think the effective subsidy is in regard to PELS?

**Dr Chapman**—The critical point in thinking about this is to understand the nature of an interest-free debt, particularly one with default protector mechanisms such as is always the case with an income-contingent scheme. Imagine that I gave you \$1,000 and said that I would like you to repay that \$1,000 tomorrow or in one year's time. There would be something fairly weird about you if you decided to do it tomorrow. The reason is that there is value in having an interest-free loan. The most obvious value in having an interest-free loan is the implicit interest rate that you could secure from that. The other issue of course is that something might happen which means that you do not have to repay it.

So the nature of that subsidy will depend essentially on interest rates in the economy. The long-term bond rate is probably four or five per cent, so I can do a little calculation—and I have done sums a bit like this—given that someone has a PELS debt of around \$7,000, for example, and they are earning \$30,000 to \$35,000. With the current HECS repayment rates they will be starting to pay that debt off straightaway. They will be paying \$950-odd in that first year. But when we do the discounting—the extent of the value of the subsidy—the actual stream of repayments that face those individuals will be much less than the on-paper \$7,000. For people in employment, with incomes of \$30,000 or \$35,000 and with a debt of \$6,000 to \$7,000, the extent of the subsidy is about 15 per cent.

I would predict—I am not saying this about private providers in particular—institutions with access to PELS will have strong pressures on their own survival and it would be in their own self-interest to increase fees. That is in nominal terms; the fees probably will not go up for students because of the nature of the debt protection mechanisms. If that fee goes from \$7,000 to \$9,000, for example, then the implicit subsidy must be greater. It must be greater because you are tacking those extra repayments at the end of the stream. Further down the track, a student or a graduate has the implicit advantage of X additional years with an interest-free subsidy. So the 12 to 15 per cent will go up to about 20 per cent.

I have done calculations for public sector universities and I think there the subsidies are, in many cases, of that size. In some cases, they are bigger. Take a student with an existing HECS debt who takes a postgraduate place. This will apply to some people, for example, who want to do an MBA at a private institution or some of the people who are enrolling in courses in private colleges. If you already have an existing HECS debt then the extent of the subsidy implicit in PELS is actually much bigger. Think of it like this: if I have a HECS debt which is going to take 10 years to pay off then I do not start to pay any additional debt loading that comes from PELS until those 10 years are up. I would just be topping it up. As far as the tax office is concerned, it does not make any difference; the moneys just go on top of each other. So, in a scenario where I have a HECS debt already and I expect to repay that over about a 10-year period—which is about right for average male graduates; it is about 12 years for average female graduates—the subsidy of the PELS component will then increase to 35 per cent to 40 per cent.

**Senator CARR**—A 35 per cent to 40 per cent subsidy?

**Dr Chapman**—A 35 per cent to 40 per cent subsidy for someone with an existing HECS debt which is unpaid. For people who have repaid their HECS when they start doing these courses, the subsidy will be much less.

**Senator CARR**—Yes, but at the maximum it could be 35 per cent to 40 per cent if you have a HECS debt?

**Dr Chapman**—The maximum is infinity, because if you never hit the threshold you pay nothing. But there is a ballpark of ranges we think are real—and I must say that I have done this work mainly for the public sector institutions, but the same principles will apply. For people who do not expect to start repaying a PELS debt for 10 years, you are talking about an implicit subsidy of 35 per cent to 40 per cent.

**Senator CARR**—That is extraordinary. On page 4 of the government's submission but on page 168 of this published book, the government say that the overall impact of the fiscal balance is positive and in the order of \$1 million over four years. How do you think they get to that conclusion?

**Dr Chapman**—I do not know about the \$1 million, I do not know about the data; but I can talk about the fact that there is no impact on the budget in measurement terms but there is in reality an economic impact. The DEST submission says that under accepted accounting practice the loan to students is treated as a financial asset. That is true, but in economic terms it is not correct. The reason is that there will be this implicit subsidy. A real interest rate of zero—I am just talking about HECS here, not PELS—means that overall the extent of the subsidy is probably 30 or 35 per cent. That is where the real action is.

The government, in line with international accounting practices, are treating the debt as an asset, as if there is no subsidy involved. So, if I am a HECS student and I incur a liability on paper of \$10,000, the government writes that off as a \$10,000 asset, and there is no problem. But the government will not receive the \$10,000 in true financial terms; they will receive something like \$6,500 or \$7,000. That does not get taken into account in the budget. When the government say that in an accounting sense there are no implications for the institution of the PELS system to private colleges and to Bond University, that is right; but the economic impacts do not lead you to the same conclusion. If that were true, then you would expect that there would be no implications of the charges—in other words, the PELS system is no more or less generous than an up-front fee. We know that it is much more generous than an up-front fee because of the interest rate subsidies and because it has got default protection. So the economic implications of looking at the accounting measures would lead you to the conclusion that nothing will actually happen to the nominal charges. That is just the accounting side of it.

What will actually happen is that institutions with access to PELS—and I am talking about the public sector as well—will now have a larger body of students from which to draw. The students are in reality facing a lower price to some extent. For some of the students in the private colleges who were spoken of this morning, who are already in employment, that price difference will not be as great as for others, but it will still be of the order of 15 per cent. The public sector and postgraduate institutions can increase their fees without changing the true cost to the student of the imposition of the problem. That is because the student will realise—not necessarily in an economic sense of 'Yes, I have now done my net present value calculation, and I know I am better off'—that, if you start to pay back a debt with no interest rate on it, in a few years time, even 10 years time, you are in a much better position than if you have got to find the money up front, partly because a lot of people do not have the money up front. That is where the strength of HECS is: it gets you away from that problem. I should also say that PELS is a much improved step on what we used to have.

The bottom line is that the accounting measures will not give you the right conclusion. My guess is that postgraduate arrangements will lead to approximately between a 15 and 25 per cent, or even more in nominal terms, increase in charges when the institutions become aware

of how much the demand has gone up. At ANU this year, postgraduate enrolments increased by 50 per cent. Admittedly, that is coming off the back of a fairly strong upward trend over time. But my guess is that institutions with access to PELS, private or public, will be looking at not richer pools in financial terms—probably the opposite—but a much expanded demand for their services, and a natural economic consequence of that is to increase the nominal price.

**Senator CARR**—I want to come back to that issue of fees. Can I just clarify the question of the impact on the budget. I would have thought that would have been a critical issue for the parliament.

**Dr Chapman**—The impact on the budget as measured is close to nothing.

**Senator CARR**—Yes, but that is as measured on an accrual basis. You are saying that the real impact, if we were to look at it on a cash basis, would be significantly higher than that. This actually costs the government. Someone is paying for this.

**Dr Chapman**—Someone is paying for it, but it will not be measured. Someone will pay for it, and basically the payment will come down to the subsidies that I have suggested before. In other words, if a government allows a postgraduate coursework program to charge \$10,000, and if the student takes it from the government and pays it to the institution—that is how PELS currently works with the public sector—and the government knows that it will only get the \$10,000 with no adjustment for interest, then over time the taxpayer is implicitly paying for that subsidy. So, while in accrual accounting budgetary terms the \$10,000 is \$10,000, the truth is that the opportunity cost of those funds could have been used for other purposes. It could have been used to decrease taxes or other public sector outlays. It is a real economic cost but it will not be seen in the budget.

**Senator CARR**—The government say that it is \$1 million. You presumably have dealings with them all the time. Has it ever been explained to you how this \$1 million figure is calculated?

**Dr Chapman**—No. I must say that I have found the debate on doubtful debt and on these budgetary issues a hard one to get into. When you read the government's explanation about doubtful debt, which seems to be a big issue, you can trace it to the predicted mortality of graduates and what that means for unpaid HECS. That is a trivial sum because not many people will die before they repay a HECS debt. It is a very small amount. The big issue for me in financial terms is not explicit in the budget—that is, the implicit subsidy. I do not know where the \$1 million comes from. I have asked the department and we have agreed to meet and have a talk about the technical issues.

**Senator CARR**—Would I be right to assume, in lay terms, that it may well be millions of dollars worth of subsidies rather than a balance of a positive \$1 million?

**Dr Chapman**—I do not know whether you want to spend time talking in detail about the real rate of interest. The issue is really very complicated. Let me explain how hard this is. What is a HECS debt? Is it what you pay up front or what you pay down the back? If it is what you pay up front then what you pay down the back has  $33\frac{1}{3}$  per cent added to it because you get a 25 per cent discount for an up-front payment. That is they way I look at it. The government, and the majority of people in this debate, tend to look at the HECS debt as what you owe. If the cost of getting into a course is what you pay up front, then there is a real rate of interest on the HECS debt. In that context I am not that concerned. If you look at it in a different way—that the HECS debt is what is paid over time without a real rate of interest—then it is a big deal. That actually does not worry me very much. What does matter is the

recognition that the economics of this matter will lead to subsidies of some form or another and that we can put numbers to them.

**Senator CARR**—Are you able by your calculations to give us a dollar figure of what you think that subsidy will be?

**Dr Chapman**—I think it would be, roughly, bottom line 15 per cent and top line 30 per cent. It depends very much on the characteristics of the students, particularly in this debate. For people doing an MBA at Bond University, for example, the subsidies may not be that high—because graduates will be on fairly high incomes when they come out—but they will still be there. It is very important to understand how the nature and the incidence of these subsidies will change over time. My guess is that there will be almost no change in the fee structures at the beginning. So, with all the subsidies going to the student, I would say it would be roughly—depending on various parameters of expected lifetime income and what course they are doing—between 15 and 25 or 30 per cent. You can do the sums. You can look at how much is outlaid and then multiply that by 0.15 or 0.3 to get a rough estimate. Over time, though, my guess is that there will be change in the fee structures. That may or may not be desirable. Any changes in the fee structures—that is, an increase in the fee structures—mean that the incidence of the subsidy over time goes away from the student and more towards the institution.

**Senator CARR**—To get your argument straight, you are saying that this measure will lead to an increase in fees which in turn will lead to an increase in the subsidy that comes back to the public sector.

**Dr Chapman**—Keep in mind that economists have a lot of trouble forecasting. We have trouble predicting the past, for example. In that context, the economics of this matter are that if there is a market mechanism out there which clears the market at a given price, the price is now different under PELS. The price under PELS is not what it looks like. The price under PELS has to take into account that there is a default protected mechanism—that is, if I am poor in the future I do not have to pay off this debt—and there is a real interest rate subsidy. My guess is that for public sector institutions the extent of the nominal fee increase would be around 20 per cent. That is approximately what happened at the University of Melbourne recently.

**Senator CARR**—So a 20 per cent increase is not an unreasonable number to think about?

**Dr Chapman**—It is not unreasonable for students, either. That is a sort of measure of the value of a PELS arrangement to a student. The institutions can increase their revenues without affecting student demand—that is the critical point—because of the generosity of PELS. You could probably do that, on average, 15 to 30 per cent.

**Senator CARR**—Finally, it is the public sector which subsidises this by way of an extension on the subsidy from the PELS system?

**Dr Chapman**—It is a point that has been recognised fairly clearly through this morning's deliberations. The people talking about their institutions have said completely accurately that up-front fees are a barrier and that the access to an interest-free, income contingent loan is much better for students than the current arrangements. That is incontestable. What follows from that though is that the nature of student demand can be unaffected even with changes in the nominal prices.

**Senator CARR**—Do you think this will be an ongoing cycle?

**Dr Chapman**—No, it will reach an equilibrium. At some point, if the arrangements do not change, there will be a new set of fees and charges and an increased breadth of student demand for these services. If the arrangements do not change then you would settle down to a new scenario where I would predict that, if economics mean anything at all, the prices will then reflect in part the value of the PELS arrangements.

**Senator CARR**—Approximately 20 per cent?

**Dr Chapman**—I would like to have said ‘off the record’ so you do not quote me, but it is pretty much on the record, isn’t it?

**Senator CARR**—Thank you.

**CHAIR**—You are saying that there will be a benefit to students and institutions, depending what happens. You cannot quite calculate exactly how that balance will work, but the end result of the creation of the PELS is that we will end up with some mix between more funding to the institutions and more funding to the students. But we do not quite know what that proportion will be. It depends on human behaviour, doesn’t it?

**Dr Chapman**—I think you have a rough idea of the nature of those travels. Instantaneously, I would expect there to be little change in fees. You would expect that the number of students interested in undertaking these courses will go up because they do not need to find the money up front. In the absence of a change in the price there will be the implicit recognition that the price has fallen in true financial terms because of default protection and the interest rate subsidy. Over time you would expect the incidence of the subsidy to be shared between a student and an institution. The effects and the consequences for the government are very small in terms of those changes. The subsidy will already exist, but if the fee goes up—and that is a proviso—the extent of the subsidy also increases by a small amount too because the extra debt of an additional PELS obligation will have tacked on at the end of the debt an interest-free component, which means that the subsidy per dollar outlay will be slightly higher. It is not a huge amount and we should not get too dramatic about this. The fees are not going to go up by much more than my guess of about 20 per cent nominally, but there is that recognition of the subsidy and its changing nature. In the end I would expect that the subsidy over time would go more to the institution than to the student.

**CHAIR**—The trade-off if you get a rise like that is that the student paying it back gets that implicit subsidy.

**Dr Chapman**—Yes. Any time you have an interest-free debt, particularly a default protected, income contingent one, there are advantages to students and they are very large advantages compared with having no financial assistance in a world of up-front fees.

**CHAIR**—So by inserting a PELS mechanism in the total postgrad system we end up with lots more students and an ability for them to repay, which then puts more money into the institution as well, depending on how the fee structure operates.

**Dr Chapman**—That is right. We should think about the public sector use of PELS. This has probably been the most important change in the nature of government financing since 1989, and the institutions are aware of this. The critical point is the timing of the money. If you are the ANU law school doing a postgraduate course and you charge \$5,000, and I take PELS from the government and give it to you, then you have got it now. As the government I get it later, but I only get the \$5,000—that is the nature of the subsidy. So you, as the ANU law school, can say, ‘We’ve got that \$5,000 and we’ve got a whole lot more students than we had before, so the consequence is a change in the fee structure.’

**CHAIR**—So the postgrad coursework students have a pretty good deal compared with students at universities in the rest of the world in terms of arrangements for the funding of those courses, haven't they?

**Dr Chapman**—Yes, in that there are no other arrangements available with PELS other than by paying the fee by yourself—and there would be something very strange about that behaviour—or by getting a loan of an equivalent amount and getting the subsidy. HECS students have the same access to generous repayment mechanisms. When I say generous, I mean default protected. This is not a bank loan; it is a situation where, if you are out of the labour force, you are unemployed or looking after children, you do not pay anything. That is a generous way to repay a loan, and the PELS students will have that, too. In general, that is a very good development, but we need to recognise that there will be important implications for the structure of charges.

**Senator CROSSIN**—Dr Chapman, what particular issues here relate to PELS and private institutions? You say in your submission that the higher nominal charges apply identically to private institutions. What is it about this particular piece of legislation, then, that has led you to want to present evidence to us in relation to private institutions?

**Dr Chapman**—I am interested in higher education financing generally. As I said, I do not have any expertise in making the judgment about having access to the PELS system available outside of the public sector. But when you can see the clear implications for the subsidies that are going to the public sector universities as a consequence of PELS—and that is in the submission, and the extent of those subsidies and the assumptions underlying them are documented—then the nature and extent of the subsidies seems to me to be an issue for any postgraduate application of the PELS issue. A government might have very good reason to subsidise private institutions; I have no view on that. But it is important to me that it is clear, and it is the explication that has motivated my involvement in this.

**Senator CROSSIN**—Hypothetically, if you were the minister for education and you were looking at some mechanism for providing public funds to private institutions that are not currently in the UNS or the tertiary sector, would PELS be the obvious door that you would open to them?

**Dr Chapman**—If it was my political view that this was a good idea—take that as a proviso—then I think we would have to recognise one other really important issue which is fundamental to this. Having a collection mechanism which is income contingent is a very valuable instrument. The only group that has that instrument is the government, because no other part of society has a tax office. That is a really important point. To make this more reasonable, or to recognise the economic value of the tax office, I would suggest that if there is a subsidy going because people are collecting these moneys in an income contingent, interest-free environment then there might be some recompense paid for that. That is, if you are giving to the private sector a government instrumentality which is a monopoly—and by definition it must be that way—and it has critical and important benefits for the use of the services provided by those groups, then you would think that the reasonable thing would be to have a small charge to reflect that.

**Senator CROSSIN**—Does it make any sense to you that these institutions would get access to PELS but not to HECS? Why PELS, not HECS, and why not both of them?



**Dr Chapman**—I do not have a view on that, but the economics of the matter would be the same. If there were income contingent loans across the board then the issue of the nature of the subsidies would just transfer, from everything I have said, from postgraduate to undergraduate.

**CHAIR**—Thank you.

**Proceedings suspended from 10.55 a.m. to 11.11 a.m.**

**KENT, Mr Simon John, Policy and Research Officer, National Tertiary Education Union**

**NETTE, Mr Andrew Richard, Policy and Research Coordinator, National Tertiary Education Union**

**HASTINGS, Mr Graham, Education Research Coordinator, National Union of Students**

**WATTS, Ms Moksha, President, National Union of Students**

**CHAIR**—Welcome. The committee has before it submissions Nos 10 and 16. Are there any changes you wish to make?

**Mr Kent**—No changes, although we did provide a supplementary submission yesterday.

**CHAIR**—The committee prefers all evidence to be given in public but if you at any time wish to give any evidence, part of evidence or answers to any questions in camera you may make a request and the committee will consider the request, but such evidence may subsequently be made public by order of the Senate. I now invite spokespersons from both groups to make an introductory statement.

**Mr Kent**—Thank you for the opportunity to appear before you today on this very important bill. The NTEU's fundamental objection to this bill is the lack of process involved in determining which institutions should be added. No clear rationale has been provided as to why the four private providers which have been chosen have been chosen in preference to a very wide range of other institutions. There have been no criteria established by which to judge future applications. For this reason we oppose the passage of the bill at this point.

This, in our view, is poor policy, creating huge problems for the future. I do not think that it is an overstatement to say that, in its current form, the bill opens a Pandora's box on this issue. If passed, I have no doubt that it will be invoked by supporters of further extension of public subsidies to private providers as a precedent, whether or not that is the intention of the parliament in passing it.

The supplementary submission, which we provided yesterday, provides some suggestions for a framework which would solve some of these problems. An important principle which we believe needs to be established is that a different bar needs to be set for the receipt of public subsidies, including implicit public subsidies, to that which is set for operation. It is one thing to be accredited by either state or Commonwealth governments to operate and provide courses; it is a very different thing to receive active government support in the form of subsidies. For that reason, the bar for the latter should be higher than for the former.

As a starting point for this discussion—and it really is at this point a starting point, which indicates the lack of process so far—the NTEU has provided five suggested criteria which should be developed. There could well be more, and in the process of a longer debate we would encourage discussion about the appropriateness of these and others. The suggested criteria which would need to be met include: (1) A guaranteed minimal level of quality and standards—and that is as distinct from quality assurance mechanisms. There needs to be an absolute level of quality which is met in order to receive public subsidies. (2) Non-discriminatory admissions policies and educational processes. (3) Full public accountability—and that has been gone into in some detail this morning—and transparent governance structures, including external representation which is representative of the broad public interest. (4) A commitment to free and open inquiry. And (5), curricula which exposes students to and tolerates a variety of perspectives. This is at the very heart of higher learning

from the NTEU's perspective. The ability to grapple with a range of competing ideas and make judgments based on the widest variety of evidence is fundamental to that process and must be a criteria for receipt of public subsidies.

We are not in a position to make a clear judgment about the four institutions, and that is a reflection on the lack of process. We have some concerns about some of the aspects, particularly non-discriminatory entry processes, on the basis of what has been presented in a number of the submissions, but the fact that no framework exists and there has been no process by which to establish what criteria should be met and whether those criteria have been met means that we are not in a position to say categorically yes or no. At the moment, therefore, it has to be no until such a process exists.

We have also provided some thoughts on how these criteria could be applied. One option would be the relatively newly established AUQA. We have some concerns about using AUQA: firstly, on the basis that it was not established for that purpose; secondly, and possibly most importantly, that AUQA assess institutions against their own criteria—against what they set out as their mission—and we believe that they should assess institutions against nationally agreed standard criteria; and, thirdly, that conflating the role of quality assurance and funding provision could compromise the quality assurance role of AUQA. So, instead, we have a couple of suggestions in our submission: a buffer body is being discussed at the moment in the context of the higher education review, something in the mould of the Higher Education Funding Council of England or possibly a specific body of eminent senior academics across a range of disciplines which could make recommendation to parliament, potentially via MCEETYA. These are very much early stages, I suppose, but we think that debate needs to take place and needs to take place urgently, because there should be no doubt that this will be used as a precedent and we need to have a process rather than turning up here every six or 12 months to go through this process with each group of new proposed institutions for inclusion in the Higher Education Funding Act. So, for those reasons, we oppose the bill in its current form. Thank you.

**Ms Watts**—The National Union of Students welcome the opportunity to comment on this review. We share the NTEU's concerns about lack of due process, particularly in the context of the crossroads review. With respect to the crossroads review, which the Minister for Education, Training and Youth Affairs is currently conducting, some 149 submissions have been received to date for the first paper, and there are some 20 to 30 forums scheduled around the country to discuss the idea of higher education. So we believe that including these institutions is pre-empting such a thorough investigation. In particular, we are concerned that there is quite a substantial public subsidy within PELS not only through the implicit subsidy of an interest-free loan and a default mechanism but also through bad debt. The innovation bill, for instance, estimates that, through PELS, there would be something like a 13.6 per cent bad debt ratio in the amount lent to students. Given the \$18.7 million expected to be lent to students in the next four years, this puts the figure at about \$2.4 million that taxpayers will be forced to underwrite for students who cannot repay their loans. This figure could be higher if, as ACPET has argued, this bill should extend funding to other institutions as well.

We are particularly concerned that there are no guidelines established to explain why the bill includes these four institutions instead of the other 450 ACPET members, for instance, or the 80 to 90 higher education private institutions as well. The NUS is also concerned that we are talking about a public subsidy being extended to institutions which do not fulfil the public accountability criteria that other public universities or public higher institutions do fulfil. We heard today that they are, by and large, accountable through a range of mechanisms, but the

kinds of things like profiling through HEFA, reporting to DEST, the various quality assurance measures, the equity measures and all those sorts of things do not apply to most of these institutions. We are particularly concerned that this will create two sets of standards for public funding, where public universities will be subject to quite stringent mechanisms and four public providers will be subject to less stringent mechanisms under this bill.

We are also concerned about the various equal opportunity and other discriminatory or non-discriminatory measures that are in place in these institutions. We are particularly concerned that students who are not of particular religious persuasions may feel excluded from accessing teacher education at these institutions. In an environment where there are great shortages in areas like teaching, we believe that this money is better spent on increasing and expanding teaching places in public institutions which are more accessible to not only students from all religious backgrounds but also secular students. We are particularly concerned that this is an extension to non-secular institutions for that reason. In terms of accountability there are a range of governance structures and other conditions that are attached which we do not believe these institutions currently fulfil, particularly having external representatives on public university councils. With regard to the reporting measures that I have just talked about, although some of these institutions have stated that they would be willing to comply, we believe that it is probably not in the interests of a private education provider to comply with things like intensive profiling through the Department of Education, Science and Training or through HEFA. It is quite concerning that these private institutions will have public funds extended to them without having the public accountability measures that go along with them.

**Senator CARR**—I will begin with submission No. 1 from Tabor College. Mr Kent, have you read that submission? That submission says that there appears to have been some arrangements made between the government and these colleges with regard to the extension of public subsidies.

**Mr Kent**—Yes.

**Senator CARR**—Is that the process that you are referring to?

**Mr Kent**—Yes, I suppose that is the extent of the process: a pre-election commitment based on individual lobbying by some of these institutions.

**Senator CARR**—The submission goes on to say that the government has not kept its end of the deal. In fact, the provision, according to the submission, is that the government committed to extend the full range of benefits to these named colleges—represented by the four witnesses that we had here earlier today—so as to offer the same benefits as to Notre Dame; that is, extension of or listing on table A, section 4 of HEFA. What would the impact of that extension be, in your judgment, if that deal were in fact honoured?

**Mr Kent**—Any institution added to schedule A would be in the same situation as public universities with full access to explicit government subsidies, HECS liable places, which, as I say, include an explicit government subsidy, in addition to the deferred fee by HECS. The full range of benefits available to public institutions, which are publicly accountable through the full range of DEST, the ombudsman or the general criteria of public accountability and which importantly include broad public representation on their governing body and therefore reflect a broad public interest in their operations and in their objectives.

**Senator CARR**—What do you think the financial impact of that would be?

**Mr Kent**—That would be at the behest of the government and at the behest of the minister in the same way as Notre Dame’s inclusion in schedule A. While it was assured in both houses, by representatives of Minister Kemp at the time, that it would only involve teacher education places at the Broome campus it has now given the education minister carte blanche to extend full public subsidies to the Fremantle campus for whatever purposes the minister and the government in turn choose. So it is potentially a blank cheque through inclusion in schedule A.

**Senator CARR**—To take that a step further then, are you saying it is the position of the NTEU—and I ask the NUS the same question—that if the same criteria were applied to the public sector in all respects as applied to these new applicants for public subsidies you would not object?

**Mr Kent**—Potentially, with a clarification about those criteria and some of the issues that I raised in the opening statement and in the additional submission being addressed. The relative lack of alteration to the schedules over the past 14 years means that no clear process has been developed in the past. In fact, I would argue that they have been deficient in previous cases.

**Senator CARR**—You have made a very strong point about the way in which the government has pre-empted the debate in the crossroads process. You have made a very strong point in regard to the lack of process; that is, with the exception of some sort of political deal that has been done. You have made a strong point about the question of no criteria. But now I am asking you another question; that is, if we were to establish, by act of parliament, legislation that contained such criteria as you have listed here: that we would guarantee minimum levels of quality and standards, as distinct from quality assurance mechanisms—and I accept your point that the AUQA is, in fact, not just a paper tiger but a bit more like a gummy mouse in the way in which it approaches these issues—that we would establish a serious quality assurance mechanism; that we would have assurances of non-discriminatory admissions policies and education processes; that we would have full public accountability and transparent governance arrangements; and that we would have a curriculum which exposes the students to and tolerates a variety of perspectives—that is, if we enshrined the principles of a liberal education—you are saying to us that you would recommend that we accept that legislation?

**Mr Kent**—I would like to have a wider public debate about what those criteria are but, pending that, yes.

**Senator CARR**—What about the NUS?

**Ms Watts**—We believe that if those criteria were expanded and accepted, that would make these institutions public institutions—and public secular institutions, in which case we would have no problem. However, our problem is also with the non-secular nature of these institutions.

**Senator CARR**—Sure, but why would it make them public institutions? If a Christian college were to sign up to these principles, why would it need to be a public institution?

**Ms Watts**—Particularly because of things like being subjected to profiling by—

**Senator CARR**—Yes, but that is not a criteria of public ownership; that is public accountability. What is wrong with that?

**Ms Watts**—That is true.

**Senator CARR**—They could still be private institutions, but they would just be on a level playing field. Would you agree?

**Ms Watts**—Yes.

**Senator CARR**—Do you have any objections to that approach?

**Ms Watts**—Yes, I would object still to the provision of private education, and the funding of private education—

**Senator CARR**—That is your concern. It is a fair enough point. I am not trying to heavy you on that issue. You are saying that you are opposed to private institutions per se.

**Ms Watts**—Public funds being given to private institutions, yes.

**Senator CARR**—However, if a private institution did sign up to these principles, would that in any way alleviate your concern?

**Ms Watts**—It would alleviate our concerns about quality and about accountability, yes.

**Senator CARR**—That is fair enough. In regard to the quality agency, the AUQA, is the NTEU familiar with some of the proceedings of the Senate estimates committee and the matters I have raised in the chamber regarding the University of New South Wales, where serious allegations of fraud, bullying and academic misconduct were not discovered when the audit was undertaken at the University of New South Wales?

**Mr Kent**—I am, yes.

**Senator CARR**—Are you satisfied that the agency was not aware of those matters when they undertook the audit?

**Mr Kent**—That is certainly my understanding—that they were not aware when they undertook the trial audit.

**Senator CARR**—Why do you think that is? How would that circumstance arise, where such profound problems occurred and the so-called ‘rigorous’ audit that was undertaken did not pick them up?

**Mr Kent**—The AUQA is still in relatively early stages. That was a trial audit. Our hope and effort is to make those processes more rigorous, to require disclosure of those kinds of inquiries being undertaken to the AUQA before they visit. Hopefully that will be enacted by the AUQA. But I think the core of the issue is that it is quite a different process to the one that we need to justify extension of the public subsidy, that we need to set an objective standard bar across the sector, rather than assessment against self-determined objectives and criteria.

**Senator CARR**—Are you suggesting that there needs to be, in terms of the higher education sector, an accreditation agency?

**Mr Kent**—Not that the AUQA served that role.

**Senator CARR**—I am not saying it is. We are accepting your point. I made my point clear about what I think of the powers of the AUQA. It cannot take individual complaints, for instance. It is not an ombudsman. You know the argument we put about an ombudsman. But are you saying that you would prefer an accreditation authority to be established in Australia—an Australia-wide accreditation authority?

**Mr Kent**—Yes, in the form of a buffer funding body potentially or a subcommittee of MCEETYA—a body of senior and well-respected academics.

**Senator CARR**—There might be a considerable difference of opinion about whether or not that would be an accreditation agency. What does the union say about that?

**Ms Watts**—We certainly see the need for such a body, particularly given the concerns that have also come out about UTS, and the lack of a university ombudsman, all those sorts of things. We do believe that there is a role for a national accreditation body.

**Senator CARR**—We have had witnesses before us, with the exception of Bond, who say that they are more than happy to participate in full public disclosure in the accountability mechanisms that operate. Have I understood the evidence correctly or did you hear it in the same way as I did?

**Mr Kent**—There were some qualifications, particularly in terms of the composition of the governing body, I thought, which were of concern to the NTEU.

**Senator CARR**—Fair enough. In what ways do these institutions, in your experience—in terms of the students and in terms of the staff employed—differ from public sector institutions at the moment?

**Mr Kent**—Fundamentally, their objectives are not established to serve a broad public interest. They are not set up to foster free and open inquiry across a range of perspectives and views. They are not open and equally accessible to people of all backgrounds. These are core elements of what it is to be a public institution and they should be the criteria for receipt of direct public support. They do not meet that, as I see it, at this point. Although, as I said, part of the problem is that we do not have that evidence before us because there is no process to investigate it.

**Senator CARR**—So you do not know those things?

**Mr Kent**—Certainly concerns have been raised, particularly with the admissions policy, in a number of the submissions, particularly Tabor and Christian Heritage College, which maintains both a right and a responsibility to not accept an applicant on religious grounds. That is of concern, but I do not think it stops there. I think there needs to be a more nuanced examination which takes account of the description elsewhere of systemic discrimination which seeks to ensure that applicants who are not suitable selfselect out by never applying in the first place.

**Senator CARR**—I know that argument. Can you tell me about the staff profile? Are the wages and conditions the same as in public sector institutions?

**Mr Kent**—It is my understanding that that is not the case—that they are below those in public institutions.

**Senator CARR**—By what sort of factor?

**Mr Kent**—I am not aware.

**Senator CARR**—Do you have any members in those institutions?

**Mr Kent**—I am not aware of having any there—although, I am probably not the best person from the NTEU to be asking. It is not part of my role to be across that.

**Senator CARR**—Will you take that on notice, please. I would be interested to know what the NTEU's dealings have been with these institutions. What are their industrial relations policies, do you know?

**Mr Kent**—I am not aware. I would like to take that on notice rather than speculate.

**Senator CARR**—Could you establish, if it is possible, what award coverage applies, what enterprise agreements apply and what the staff profile is, in terms of qualifications. Does it vary significantly from your other major branches? With regard to students, are any of the witnesses aware of any differences in the admissions policies or exclusion and expulsion policies with those in public sector institutions?

**Mr Hastings**—The area we have looked more at is student grievance policies, and I think that is an area that puts it a bit more starkly. Obviously, it is one of the areas that student organisations have worked in, trying to deal with the grievances that arise in students' dealings with universities. For example, where a student at the University of Queensland is able to have a well-developed academic grievance procedure to follow—and for the most serious complaints they can go to the ombudsman's department to pursue it—we found when students wanted to make complaints against Bond University, there was not a developed process for that. The remedy that was taken in the one case that I am aware of is that the student had to go to the Queensland Supreme Court, which said that the relationship of the student to the university was a contractual relationship and that it was the same if you enrolled in a private training college—a private business college, for example—so there were not the same protections that existed for students in a public university. That has been one area of great concern. That case was several years ago so I am not sure if Bond has done anything to fix up that sort of thing. That shows it as starkly different to public universities.

**Ms Watts**—Most of these institutions—Bond might be the exception—do not have student representation on their governing bodies or boards or whatever the equivalent is. That is also of concern to us—that students have a very limited role, if any, in the determination of the direction of the college and the courses and the kind of education that is provided because there is no representation of students, not only at the highest level, but in the subsequent committees and those sorts of things. So we are quite concerned that students do not have the same collegiate structure in place to allow for participation that they do in public universities.

**Senator CARR**—What about exclusions policies; are you familiar with exclusions policies? Have you had any experience with students who might well be asked to leave?

**Ms Watts**—We will have to take that on notice. I am not aware of any.

**Mr Hastings**—Mainly because they are not members of NUS, so complaints would not come to us.

**Senator CARR**—I understand. The frustration from my end of the table is that we hear things about institutions on a regular basis, both for and against, and it is a question of how we verify the evidence that is given to us. What I am seeking from you is advice that we can verify in some form. That is my concern. The question of the implicit subsidies has been raised this morning. I ask both sets of witnesses: do you agree with the evidence that has been presented this morning, are you familiar with that argument and what do you think of it?

**Mr Kent**—Clearly, the expert evidence of Dr Chapman says that there is an implicit subsidy, and it is entirely logical that that is the case via an income contingent repayment scheme with an interest rate set below market rates. I do not think there is much doubt that we are talking about an implicit public subsidy to these institutions, particularly in light of the evidence surrounding increased course fees associated with the introduction of PELS. The evidence from the University of Melbourne this year suggests that fee increases have been upwards of 50 per cent, I would argue that is almost exclusively as a result of the introduction of PELS. That is a direct subsidy to the institution, as opposed to the student.



**Senator CARR**—What are the policy implications of those conclusions that you have drawn?

**Mr Kent**—That this bill is more important than it may initially appear in the level of public support being offered to these institutions, that there is a significant public subsidy being provided through the provision of PELS because the fees will rise. I think the point was made in the Australian College of Theology submission that, if they had access to it, it would allow them to underwrite their research activities through increased fees. I think the evidence is very strong that there is a public subsidy and that fees would rise, increasing the subsidy to the institutions.

**Ms Watts**—We have argued quite strongly that there is an implicit subsidy within PELS. This is an idealised environment where we are expecting students to behave as rational consumers and all those sorts of things. However, we believe there is a great level of implicit subsidy, particularly as we have heard this morning that the average age of a lot of these students is quite high. We estimate that that is going to distinctly increase the level of implicit subsidy that the students will receive and, in turn, the institutions themselves will receive as a result of extending PELS. We know of some examples. The University of Melbourne has increased its fees by 57 per cent in some courses. I believe RMIT is considering an 18 per cent increase, on average, in its courses. UTS is considering a 12 ½ per cent increase in its course fees. These are fees I am talking about, not the number of courses. All of these increases—and they are explicitly as a result of PELS—we believe, are going to have a greater impact on students and on the institution.

We have also argued in our submission that there is, in some sense, a direct subsidy where there is the bad debt ratio of 13.6 per cent. This is directly an amount of money that students will not be able to repay because their incomes will never get above the threshold or because they will not be able to finish payment. That is a direct amount of money, at least \$2.54 million with those 2,000 estimated places, that the government will be forced to subsidise.

**Senator CARR**—The issue has been raised this morning about the accreditation process—and I have briefly raised this matter before—and emphasis was placed upon the role of the state government in the accreditation process. Your submission highlights the difference in the accreditation processes—the difference between institutions being accredited and courses being accredited. Can you expand on that and explain to us: what is the quality, in your experience, of the accreditation processes undertaken by state departments around Australia—the quality of the higher education divisions of state education departments?

**Mr Kent**—The experience we have had so far is that they are quite variable state to state—some of them are quite strong and others we have concerns about. The national protocols, and the work of the AUQA, will hopefully work towards giving us much better information as each of the state offices of higher education are audited to get a better feel for what is going on there. That is certainly a concern in using the evidence of state accreditation to access Commonwealth government subsidies in the absence, at this stage, of those offices having been compared and having been audited. That adds another layer of complexity. On the five-year cycle of the AUQA it will take five years, even through that process, before we can have any kind of confidence in comparable processes or standards being used by the various state offices of higher education.

**Senator CARR**—So you are saying it is an ad hoc process, that there are national inconsistencies, and that you do not have a lot of confidence in the audit being undertaken by the AUQA because it relies, essentially, upon self-auditing?

**Mr Kent**—Certainly the former in that it is an ad hoc process, which is inconsistent across states. I am not sure about the complete lack of confidence but there are concerns about using—for these purposes, as opposed to the purposes that the AUQA was established for—self-determined criteria for assessment. I think that is an inappropriate measure in order to—

**Senator CARR**—If they cannot pick up problems that are as huge as they are at the University of New South Wales when they are there on the site, because no-one bothers to tell them, how good will they go asking state public servants to identify how well they are going?

**Mr Kent**—This is a concern. Perhaps I am more optimistic about their ability to learn from those experiences but at the moment it is still very much in the early stages.

**Senator CARR**—But, Mr Kent, you have had some experience of government. Can you tell me of a government that you have identified that has ever been prepared to come forward and say, ‘Listen, we’re really bugging this up; we can’t really do it very well and we want an external authority to confirm how badly we are doing it?’

**Mr Kent**—None come to mind immediately, no.

**Senator CARR**—Maybe there was one I had missed; that was all.

**Senator CROSSIN**—My question is for either the NTEU or the NUS, or perhaps both. You have raised concerns about the proposal we have before us that provides a subsidy for public funding to private institutions—quite rightly, and I agree with you here. It is unfortunate that the Crossroads review has not been finalised before this debate is happening. To your knowledge, is there anywhere in the crossroads paper that this issue is raised—the allocation of PELS specifically to private institutions? Is there an opportunity for this debate in this review, anyway?

**Ms Watts**—The crossroads paper asks some key questions. What extent should private providers be eligible for public funds? How should they be treated within the sector? How should they be treated alongside public institutions in terms of funding and other accreditation and whatever processes? There is plenty of opportunity in this review to discuss what role private providers play within the higher education sector in Australia, and that is an opportunity we will miss with the passing of this bill.

**Mr Kent**—My recollection of the crossroads paper is that it does not specifically address PELS; it addresses the much wider issue of extension of public subsidies. If this bill were to be passed, we might as well give the secretariat a call now and say, ‘Don’t bother looking at that area because it will have been determined by the passage of this bill.’

**Senator CROSSIN**—That is right. So do you believe that in some way the measures in this act pre-empt any outcomes in the crossroads review?

**Mr Kent**—There is no doubt. It is a little bizarre really that they are both coming out of the same minister’s office. We have got a decision effectively and a question being asked at the same time. Perhaps a little crosschecking between the two—

**CHAIR**—It was a promise in the last election, of course.

**Mr Kent**—Then perhaps the question should not have been raised in crossroads.

**CHAIR**—Under a different minister.

**Senator CROSSIN**—Let us just go to that. Do you believe that that is a provision to extend PELS to private institutions simply because it was an election promise—

**CHAIR**—We did win an election.

**Senator CROSSIN**—And that also pre-empted a review of higher education in this country? What comes first here?

**Mr Kent**—I think it would be very poor policy to deal with such a fundamental issue in such an ad hoc way. This is a deceptively significant bill. Given that the minister has raised the question and apparently would like some considered public opinion on this issue, it seems very strange that at the same time he also wants to pass a bill which effectively answers the question.

**Ms Watts**—I believe it would be doing an injustice to the minister to answer this question now rather than waiting for the review.

**Senator CROSSIN**—All right. On the issue of an election promise, there are three or four years to implement that. Would you not have thought perhaps that in the scheme of some sort of time frame we might do a review and then perhaps implement an election promise after that review at least is seen to be in some way thorough?

**Mr Kent**—Certainly. In this review we have got a couple of discussion papers yet to come and final consultations. My understanding is that it will be wrapped up by around November and will feed into the next budget and the whole process will probably end up in budget legislation this time next year. I see no problem in delaying this bill until such time as those questions have been answered so that there is a framework in place in order to deal with this issue on an ongoing basis rather than the hand to mouth approach of making promises to individual institutions without having any basis on which to compare future applications.

**Senator CARR**—Doesn't this bill include a number of other measures that go to the financing of universities?

**Mr Kent**—It does. It would require amendment to defer these elements.

**Senator CARR**—So you are proposing that we split the bill and consider the other matters now, and that this particular matter be deferred to next year.

**Mr Kent**—That would be entirely appropriate, yes.

**Senator CROSSIN**—There is a suggestion that perhaps the self-accrediting institutions out of these four, the Bond University and the Melbourne College of Divinity, are self-accrediting, regulated by an act of parliament and have to put in quality assurance plans. For them to meet some sort of public accountability test, perhaps PELS should be extended to them. Your submission says no to all four. Why not support the argument that at least the self-accrediting institutions should get the tick here?

**Mr Kent**—It goes to the question of what should be the criteria to operate as opposed to receive direct government support. The government regulates a whole range of industries without actually providing direct government support. It is one thing for them to say, 'You can run a newsagency on the corner.' It is another thing to say, 'We will underwrite all your customers and provide a subsidy for you to do so.' You would apply different criteria in those circumstances.

**Ms Watts**—It is the nature of a public and private debate as to what level of funds should be extended to private providers, and that is particularly relevant for Bond and MCD. With MCD, though, it is an autonomous self-accrediting institution which has a close link with the University of Melbourne and with Monash as well. However, we are concerned that with the extension of PELS to MCD this might pave the way for not only the extension of PELS to other private institutions but the ability of private providers to form relationships with

universities to enable access to PELS or to enable access to the benefits that universities enjoy under the public arena. So it is those two precedents that we are concerned about.

**Senator CROSSIN**—I have one more question. I had a list with me last night of those private tertiary institutions that will not get this funding. I cannot put my hands on it this morning, but, to my recollection, one of them was the College of Pharmacy. Let us take that, for example. Have you been provided with any explanation as to why that college is not included in this legislation whereas these four institutions are? Why are we picking some and not others? Has any logical explanation been provided to your organisations about that?

**Ms Watts**—No, none at all.

**Senator CROSSIN**—Have you sought an explanation as to why it is just these four and not the rest or some of the rest?

**Mr Kent**—We have not sought an explanation but we certainly would like one. On the basis of the survey of private providers conducted for the department a couple of years ago, there are at least 80 other providers out there that have not been included. We would hope that there was a rationale for selecting these four over those 80. If there is one, we would certainly like to know what it is and we would like it to be on the public record so that it can be used in the future. My fear is that there is not one.

**Senator CROSSIN**—Is it obvious to you why it is these four and not the other 80?

**Mr Kent**—No, certainly not.

**Ms Watts**—No.

**CHAIR**—Thank you for appearing.

[11.57 p.m.]

**BRANKOVICH, Ms Jasmina, Vice President, Council of Australian Postgraduate Associations**

**CHAIR**—Welcome. The committee has before it submission No. 14. Are there any changes you wish to make?

**Ms Brankovich**—There are no changes. However, I would like to make a brief statement recapping and adding to the submission.

**CHAIR**—I will give you the chance to do that in a minute. The committee prefers all evidence to be given in public, although at any time if you wish to give part of any evidence in camera, you may make the request. Such evidence may subsequently be made public by order of the Senate. I now invite you to make a brief opening statement.

**Ms Brankovich**—Thank you very much, Chair and committee members. On behalf of 155,312 Australian postgraduate students, the majority of whom are course work students, I welcome this opportunity to express our extreme concern over the extension of PELS to the four private higher education providers. CAPA has several important concerns about the Higher Education Legislation Amendment Bill (No. 2) 2002 which has the effect of creating a new list of unfunded institutions within the current framework of eligible institutions under the act. I would like to address a number of concerns in this initial statement.

The first concern is the timing of the bill. I agree with the NTEU and the NUS submissions that this bill pre-empts the findings of *Higher Education at the Crossroads: a Review of Higher Education in Australia*. I would like to be more blunt and say that the move to extend PELS undermines the credibility of the review itself. The second point I would like to make is that no necessary accountability requirements have yet been put in place to assess the quality of the courses provided by the four private providers. Again, that is related to the timing of the bill. There are other more substantive but equally significant issues. Firstly, the absence of any public reporting requirements applicable to the private education providers raises concern about ways to assess quality and to ensure accountability. I would like members of the committee to keep in mind that CAPA is an association that believes strongly in the provision of publicly owned, publicly funded, public education for public benefit. It believes that quality and equity are among the key founding principles of the provision of higher education in this country.

We are concerned over the extension of public funding to private providers which are not bound by the same quality or equity requirements as public universities. CAPA is concerned that the bill effectively extends public funding to institutions which may lack equal opportunity policies or operate outside antidiscrimination provisions. In some senses, this move similarly undermines equity in the provision of public subsidies. We agree with Jenny Macklin's statement that this is policy making by default. In other words, CAPA is concerned that the proposed bill will set damaging precedents for the further extension of public funding to private providers. The net effect of the bill is to contribute towards further deprivation of an already struggling public system where there is much need for public investment. This bill comes at a very difficult time for Australian higher education. It undermines most clearly those noble principles of quality, equity and diversity which collectively make up the strength of the Australian public higher education system. In closing, I would like to reassert CAPA's

total opposition to this bill as well as our disappointment over the particular stance taken on this issue.

**Senator CARR**—Is this your first appearance before a Senate committee?

**Ms Brankovich**—Indeed. It is a very interesting one.

**Senator CARR**—I am very pleased that you could come. Hearing from citizens as to the legislation before us is a very important part of the legislative process, so it is very good that you are able to assist us today. We may well ask you some questions that you find hard to answer, so you are entitled to say that you will take those on notice if that is your intent. Your argument is that we should not be extending public subsidies to private institutions, is that right?

**Ms Brankovich**—Indeed.

**Senator CARR**—So, in that sense, would you say that it does not really matter what conditions we would seek to apply to public subsidies? As far as you are concerned, are there any let-outs to the proposition that private institutions should not receive public subsidies?

**Ms Brankovich**—I would like to reiterate that I represent CAPA, which represents the 36 affiliated public institutions. I would also like to reiterate the principle of public education. I think that we would have a lot of problems with any extension of public subsidies to private institutions.

**Senator CARR**—It has been said to us today that the institutions themselves are prepared to accept rigorous public accountability mechanisms as a condition of the receipt of subsidies. If they did so, would that change your attitude at all?

**Ms Brankovich**—No, not really. They would still remain private institutions. Unless the change is made in the very nature of these institutions—

**Senator CARR**—So your objection is essentially a philosophical one. You think that the state should not subsidise private education institutions.

**Ms Brankovich**—Yes, that is right: we do have a philosophical underpinning that is pretty clear and straightforward.

**Senator CARR**—Notwithstanding that, what if the position that has been put to us by the NTU and the NUS were put in place? That position was that private institutions be allowed access to public subsidies, subject to criteria such as guaranteed minimum levels of quality and standards, non-discriminatory admissions policies, full public accountability, transparency of government structures, commitment to a free and open inquiry, and a curriculum which exposes students to and tolerates a variety of perspectives. Would that in any way ameliorate your concerns?

**Ms Brankovich**—To a certain extent, yes. I do accept those statements by the NUS and the NTU. However, I think that extensive discussion first needs to be undertaken with all key stakeholders; that includes all institutions and all student representative groups. That would have to be followed by an extensive public debate before we could give a firm answer to that question.

**Senator CARR**—Would you take a view similar to the one that was put to us before, that these matters should be deferred until next year, until after the crossroads process has been concluded?

**Ms Brankovich**—Absolutely. If the crossroads process is meant to be a genuine one we probably would not necessarily see the introduction of this bill in the first place.

**Senator CARR**—Turning to the issue of the nature of postgraduate pedagogy, how important is intellectual freedom in postgraduate education?

**Ms Brankovich**—Extremely important.

**Senator CARR**—Is it possible to undertake postgraduate education where intellectual freedom is not the prevalent characteristic of the institution?

**Ms Brankovich**—Certainly not. We would be opposed to any moves to limit intellectual freedom on postgraduate study.

**Senator CARR**—Do you think the research culture within the institution has any bearing on the quality of the education provided?

**Ms Brankovich**—Indeed, it does. The more developed the research culture the more support there is for postgraduate research—although we are talking about postgraduate coursework, which does include to a certain extent research as well. We do believe very much in developing a strong institutional research culture.

**Senator CARR**—This has been an issue of some debate in education circles—the extent to which postgraduate coursework involves research. You are saying that it implicitly must involve research to be serious postgraduate study?

**Ms Brankovich**—No, that is not what I am saying. Postgraduate coursework is simply a different kind of postgraduate study. However, a lot of postgraduate coursework students complete projects which involve substantial research. That is an important point to keep in mind.

**Senator CARR**—It has been argued that if this subsidy is extended fees will increase, and the evidence suggests that a number of institutions' fees have already been increased, Melbourne University, for instance. Is that a matter of concern to CAPA?

**Ms Brankovich**—It is a matter of absolute concern. To hear that the University of Melbourne has increased fees by up to 57 per cent makes postgraduate coursework issues and particularly the impact of PELS all the more of urgent concern.

**Senator CARR**—You said 57 per cent.

**Ms Brankovich**—It was 57 per cent for some courses. I think it varies. The information that I have suggests that it varies up to 57 per cent.

**Senator CARR**—Do you have any information about other institutions?

**Ms Brankovich**—I would have to take that on notice and consult our research officer. Certainly, with even only one institution raising fees a year after the PELS has been introduced does give some clear indications as to where certain institutions may be moving.

**Senator CARR**—That is extraordinary—57 per cent.

**Ms Brankovich**—I would like it to be noted that that varies.

**Senator CARR**—I appreciate that. We have heard figures of 20 per cent. If you could take that on notice and check that figure and provide any details about which course that is, I would appreciate it. Information on the extent to which fees have increased across the sector would be helpful as well. Regarding the access and equity policies of the institutions that are seeking the subsidies from the Commonwealth, do you have any evidence of disadvantage

being exhibited to various students? Have any discriminatory practices been followed? What is your experience of these institutions?

**Ms Brankovitch**—Because CAPA represents public institutions, we do not necessarily have much access to information regarding private institutions. From what I have heard so far, there is enough cause for concern. These institutions may not necessarily comply with equal opportunity practices and antidiscrimination policies, in particular with regard to religious beliefs and values held by individual students, and that is a concern.

**Senator CARR**—So, apart from what you have heard here today, you are not aware of any additional information?

**Ms Brankovitch**—I do not have that information, because it is not accessible to CAPA.

**Senator CROSSIN**—Senator Carr has covered most of the areas I wanted to cover. I want to ask you a similar question to the one I asked the NTEU and the NUS. Two of these institutions are self-accrediting institutions covered by an act of parliament and which produce quality assurance plans. In your mind, is that not sufficient accountability for at least two of these institutions to have access to PELS granted to them? Setting aside the philosophical statement you made about public funds going to private institutions, if we just look at two of them being self-accrediting, is there a view that that might be a sufficient reason to grant the PELS to them?

**Ms Brankovitch**—Again, I do not think that I can set aside the divide between the public and the private. In some sense, I would like to reiterate the statement that private institutions receiving public funding may not necessarily result in the wholesale product of these institutions being available for the public benefit. That is our primary concern. Again, I would like to reiterate the statements by the NUS and the NTEU that the government regulates all sorts of industries and that all sorts of industries may be self-accrediting. However, the fundamental principles are still there and still unmoved by those sorts of concessions.

**Senator CROSSIN**—There are sections in the crossroads document, which we talked about earlier, that talk about the extension of public funds to private institutions. It does not specifically include PELS. In fact, it talks about four models but the extension of PELS is not included in any of those four models. Was this an area that CAPA was perhaps going to explore anyway in their response to this document?

**Ms Brankovitch**—I certainly think that there is something like a 120-page submission to the crossroads review by CAPA, which I have not memorised yet. I may! But it is certainly something that we have put on the public record.

**Senator CROSSIN**—The introduction of this legislation has perhaps triggered that sort of response, as opposed to the issue canvassed in the crossroads paper.

**Ms Brankovitch**—On page 40 of the crossroads paper, the questions posed are:

Should private providers have wider access to public subsidies on the same basis as public institutions as a means of stimulating differentiation?

and—

- what criteria should private institutions be required to meet?

This is what I mean in a sense by this legislation pre-empting the questions being asked in the crossroads paper. That is a significant concern, because we do take the whole review seriously.



**Senator CROSSIN**—Your view is that the extension of PELS to these four institutions pretty much specifies the criteria through which private institutions get access to public funds? If the government is going to give access to PELS to these four institutions then somebody, either in the minister's office or in the department, has in their mind criteria about the institutions to which PELS could be extended. It pre-empted debate in the crossroads paper.

**Ms Brankovitch**—Absolutely. I would also like to add that—just like the NUS and the NTEU—we have not been given any justification as to why these particular institutions, of all the private institutions in Australia, are accorded this privilege.

**CHAIR**—Ms Brankovitch, are the views you have expressed today your views or those of CAPA?

**Ms Brankovitch**—I believe I express the view of CAPA.

**CHAIR**—How have you established that? Have you carried out any surveys of the members or got their views on the issues you have raised today?

**Ms Brankovitch**—Perhaps you will allow me to talk a bit more about the nature of CAPA as an organisation. We have a policy which is voted on every year by our members, by the 36 constituent organisations. Our executive is elected by those very same members, and it is the duty and responsibility of the executive to follow that policy through. I guess that, in some sense, our stance towards this bill encapsulates the major points that are expressed in the CAPA policy document.

**CHAIR**—So do you have a policy in your organisation of total opposition to the extension of PELS to private institutions that are not public universities? Is that an actual policy that is written in CAPA?

**Ms Brankovitch**—We could not foresee the introduction of this bill, but we do oppose public funds going to private institutions, which basically constitutes quite implicit—and, to a certain extent, I would actually claim explicit—public subsidy to private institutions.

**CHAIR**—So, in terms of the provision of this bill, did you do any survey of the members of your association?

**Ms Brankovitch**—Had we been given more time, I think we certainly would have done so.

**CHAIR**—So you are really just assuming what your members might think; you do not really know that because you have not actually carried out any process to find that out.

**Ms Brankovitch**—Our members support public funding of public institutions—

**CHAIR**—Are you just going from first principles?

**Ms Brankovitch**—and that is the principle that I would like to draw on. If I do that, then it is very easy to deduce that this bill actually undermines that very principle on which CAPA has been founded and has been operating so far.

**CHAIR**—It is a little more subtle than that. I thought you might do some sort of survey. If we look at the fact that this is extending to four institutions only, if I ask you a question like, 'Would you have objection to the extension, via this bill, to the two of the four institutions that have been established by act of parliament'—which is Bond University and the Melbourne College of Divinity—it is difficult for you to answer that in terms of what your membership would think. You do not know really, do you, because you have not surveyed your membership on these issues?

**Ms Brankovich**—CAPA was invited some time last week, I believe, to prepare a submission to this process.

**CHAIR**—And you prepared the submission?

**Ms Brankovich**—CAPA did; that is right.

**CHAIR**—Did you prepare it or did someone else in the organisation prepare it?

**Ms Brankovich**—I contributed to it.

**CHAIR**—Right. So how comprehensive is the representation? Was it approved by your executive before it went off?

**Ms Brankovich**—Absolutely, yes—just like everything is.

**Senator CARR**—Senator Tierney, you should also ask what submission they made to the PELS bill inquiry itself, which was quite extempore and, I remember by the phone calls, quite vociferous.

**CHAIR**—We are, Senator Carr, considering a slightly different issue here.

**Senator CARR**—No. It is a bit unfair on the witness here, that is all.

**CHAIR**—The extension to private institutions is what we are considering in this sense. It is slightly different.

**Ms Brankovich**—I would like to say that that is a very unfair question. I do not think that what is under question here is CAPA's ability to represent postgraduate students.

**CHAIR**—No, it is about your ability to represent them if you do not know what their views are. That is what I am asking.

**Ms Brankovich**—I do think I know what their views are.

**Senator CROSSIN**—Senator Tierney—

**CHAIR**—You just sort of picked this up by osmosis.

**Senator CARR**—Listen, John—

**CHAIR**—Okay.

**Senator CROSSIN**—This is the vice president we are talking to.

**CHAIR**—Do you oppose public funding of private schools as well?

**Senator CROSSIN**—They do not represent schoolteachers at schools.

**CHAIR**—I know they do not, but I am just trying to establish whether we have a purely ideological situation here or not.

**Senator CROSSIN**—It is totally out of order, isn't it?

**Ms Brankovich**—I think it is out of order; and I think that is a very unfair question. If you were to ask me, I certainly do not think that CAPA can—

**Senator CROSSIN**—Are you going to ask her about stem cell research, then?

**Ms Brankovich**—necessarily speak about funding of secondary education, and I do not see myself here in that capacity at all.

**CHAIR**—The point of the question was trying to establish whether you are opposed to all public funding of private education or whether it just extends to the university sector, which you have already established.

**Ms Brankovich**—I am here in the capacity of CAPA and I am here concerned with public funding of the higher education system.

**CHAIR**—If we have a look at, say, some systems like the US system, one-third of which is private, it generates an enormous amount of money into the higher education system for teaching and research. We have very little of that here. I was wondering whether you would see any benefit to the nation in the introduction of mechanisms that allowed some private expansion, as this bill does, of institutions—a lot of which are funded by individuals who attend. I suppose it expands the total effort, particularly in postgraduate work, if we actually do this and do not rely totally on the federal budget.

**Ms Brankovich**—I cannot speak about the United States education system. I would like to take that question on notice in order to do more research on that issue. I do not think enough research has been made available to us and, like everything, I need to base my responses to those sorts of questions on carefully considered research rather than on hearsay.

**CHAIR**—If you want to take that on notice, that is fine. This bill applies to only four institutions. We have heard evidence from all four institutions this morning. Basically, they are small in nature. They would not see that the provisions of this bill would greatly expand what happens. One witness said that not all students would even take it up. In their evidence this morning, their assessment of the impact on the budget was that it would be very minor. I wonder why you would object to that.

**Ms Brankovich**—Again, I would like to go back to the principle of public education for public benefit from public funding. I agree with a lot of the statements made by Dr Bruce Chapman. I would also like to assert that we have had PELS for only a year. I would like to assert that we have not had a chance to thoroughly examine the full impact of PELS, which, in some sense, is another reason why this legislation seems a bit rushed, to say the least.

**CHAIR**—You call your organisation the Council of Australian Postgraduate Associations. I wonder why you do not extend your membership to all postgraduate students in Australia.

**Ms Brankovich**—That is up to our members to decide. Should our members wish that, they can certainly vote for that to be part of CAPA's action policy. Once again, I do not think that CAPA is under review here; I think it is the bill.

**CHAIR**—I just think it strange that you have a name that indicates that you are nationwide, and yet you exclude postgrad students that are not in public institutions.

**Ms Brankovich**—We do not exclude them. We have not considered including them. I think that is an important distinction to make.

**CHAIR**—It has never come up as an issue?

**Ms Brankovich**—Based on our principle of public funding for public education, which is the founding principle of CAPA, I think that a lot of debate needs to happen before we even consider such a move.

**CHAIR**—Do you think that the principles which your organisation is based on would exclude that possibility? If, say, postgrad students from Bond were to apply to be members of your association, would you reject them?

**Ms Brankovich**—Again, that is up to our members to decide, and that is actually up to our annual council to decide; it is not up to the executive or any individual member of the executive.

**CHAIR**—Going back to first principles: if the question were to come before CAPA, would it necessarily discriminate against these students on the basis that they are in a private institution?

**Ms Brankovich**—We do not discriminate on that basis against these students. Our association was founded to support the public education system. Should students from private institutions wish to make an application, they are more than welcome to do so. That application would be assessed on its merits.

**CHAIR**—When CAPA was established, they were all public institutions. Private institutions have developed in the last 15 years.

**Senator CARR**—Private institutions have been in the system for a long time.

**CHAIR**—I am referring to private institutions that are coming into the purview of what we are discussing now. Are you saying that this has never come up as an issue in CAPA?

**Ms Brankovich**—To my best knowledge, it has not.

**Senator CROSSIN**—I have some more questions before we finish. You said you had 155,000 members.

**Ms Brankovich**—That is right.

**Senator CROSSIN**—Are you aware of any organisation in this country that covers either undergraduate or postgraduate students that specifically study at private tertiary institutions?

**Ms Brankovich**—To my best knowledge, I am not aware of any such organisation.

**Senator CROSSIN**—So, at this point in time, you would say that your organisation is this country's leading organisation to best represent the views of postgraduate students, regardless of what institution they study at?

**CHAIR**—Provided they are not private.

**Senator CROSSIN**—Regardless of what institution they study at, there is, to the best of your knowledge, no organisation that represents postgraduate students studying in private tertiary institutions? Is that right?

**Ms Brankovich**—I cannot say that we represent students studying in private institutions.

**Senator CROSSIN**—No, but are you aware of any other organisation that does?

**Ms Brankovich**—No.

**Senator CROSSIN**—Thank you.

**CHAIR**—Thank you for appearing.

**Proceedings suspended from 12.25 p.m. to 1.38 p.m.**

**CALVO, Dr Peter, Director, Australian Institute of Music, Australian Council for Private Education and Training**

**MOSS, Ms Julie, Deputy National Chair, Australian Council for Private Education and Training**

**PAINTER, Prof. John, Principal, Australian Institute of Music, Australian Council for Private Education and Training**

**SMITH, Mr Timothy, National Executive Officer, Australian Council for Private Education and Training**

**MADIGAN, Dr Geoffrey, Committee Member, Council of Private Higher Education**

**McCOMB, Mr Adrian, Executive Officer, Council of Private Higher Education**

**CHAIR**—I would like to welcome representatives from the Australian Council of Private Education and Training and from the Council of Private Higher Education. The committee has before it submissions Nos 7 and 11. Are there any changes to be made?

**Mr Smith**—No, Chair.

**CHAIR**—The committee prefers all evidence to be given in public, but if at any time you want to give any evidence, part of evidence or answers to any questions in camera, you may make the request and the committee will consider the request but such evidence may subsequently be made public by order of the Senate. I now invite you to make a brief opening statement.

**Mr Smith**—Thank you for the invitation to the Australian Council for Private Education and Training to appear before the committee today. As the largest of the industry associations in the post-compulsory education and training sector, ACPET represents 450 members who offer annually about 3,000 courses from certificates to postgraduate degrees to over 60,000 Australian and overseas students. Our members provide teaching and administrative jobs to approximately 7,000 Australians in urban, regional and country towns across Australia. This sector has a \$300 million gross turnover, and the multiplier effect of our economic activity impacts on a wide range of other service providers.

I am the National Executive Officer of ACPET. Prior to my appointment two years ago, I was an executive in the Victorian Department of Education and Training, with specific responsibility for the management of the higher education private provider approval process. My colleagues are Ms Julie Moss, Dr Peter Calvo and Professor John Painter. Ms Moss is our Deputy National Chair. She is the Managing Director of the Photography Studies College, Melbourne, and a member of the Victorian Qualifications Authority. Dr Calvo is the Director of the Australian Institute of Music, the oldest and largest private performing arts academy in Australia. Professor Painter, as many of you will know, is a distinguished cellist and music academic and is the Academic Director of the Institute of Music, which of course is one of our members.

In our written submission we have expressed concerns and made recommendations directed at all higher education students having access to publicly funded deferred payment and loan schemes, irrespective of their choice of provider. The key issue for the committee, in our view, is to ensure that Australian higher education students are treated equally and fairly in terms of access to such schemes. The sole criterion for determining eligibility to access

such schemes should be that the students concerned are enrolled in approved institutions offering fully accredited courses. Higher education private providers meet this test.

ACPET has 15 member colleges offering their own fully accredited higher education courses to 3,100 degree level students, 140 students at masters level and 12 students involved in doctoral work. There are 130 students undertaking other graduate courses. These Australian students come from state and private schools where they have been supported in whole or in part by governments. While there is some dispute about the quantum of that support, there is no dispute such support should be provided. However, when these students have moved to tertiary education or to other parts of the national qualification framework set down by the Commonwealth and state governments, they become significantly disadvantaged. They cannot access HECS or PELS and are required to pay substantial tuition fees up front. The fact that they are prepared to do this, and do so in increasing numbers, demonstrates the confidence students have in the private sector. Students in private colleges make a major financial contribution to their own tertiary educations and to the nation's future. It is desirable that government and this parliament recognise this and ensure all Australian higher education students are treated equally and fairly.

We thank the committee for the opportunity to appear today. Mr Chairman, with your agreement, I will table a list of our member colleges and a copy of my statement.

**CHAIR**—Is it the wish of the committee that the document presented to the committee by Mr Smith be tabled? There being no objection, it is so ordered. I call on Mr McComb.

**Mr McComb**—I am the Executive Officer of the Council of Private Higher Education. I am accompanied here today by one of our committee members, Dr Geoffrey Madigan, who is the President of Avondale College—a long established college. The Council of Private Higher Education, which we call COPHE, is a recently established association representing a relatively small group, about 20, of unambiguously private higher education providers. Several were in fact established in the 19th century and very strongly support this legislation. We welcome the bill, as it addresses a number of clear anomalies in the higher education sector which individual institutions have raised with the government over an extended period of time.

There was a question asked earlier: why these four institutions? The fact is that we have been making submissions to the minister for several years and the promises that were made at the election, which the government won, are now being fulfilled by this legislation that is being put forward. During the election campaign the government committed to the general principle of providing access to grants and subsidies on the basis that a higher education provider was either established by a statute and self-accrediting or was offering programs that have been rigorously assessed as being of a prescribed standard.

The initial step in the implementation of this principle is the commitment to give Bond University, Christian Heritage College, MCD and Tabor College (Adelaide) access to PELS funding for their students. The rationale applied was, firstly, that Bond and MCD are the only self-accrediting higher education institutions that do not currently have access to PELS and, secondly, that CHC and Tabor are committed to the preparation of teachers for the Christian school sector. The Commonwealth supports preparation of teachers for the government sector and the Catholic sector. This provision addresses some of the inequities. The measures proposed are also a partial response to unintended consequences of introducing PELS for students of public universities only. Before PELS private institutions had been competing on a

level playing field with publicly funded universities for the provision of full fee, postgraduate coursework programs.

The government's provision of loan arrangements to students in publicly funded institutions can negatively impact on the competitive position of private institution postgraduate enrolments. This provision from COPHE's perspective is really an equity issue for students. It is an equity measure in that it provides support for students and not institutional funding. We do not see any equity in the fact that two teachers may be working at an Adelaide school and one may have gone through a course at Flinders University with a full HECS place and the other may have gone through Tabor College, for instance. This situation is magnified everywhere, even through to theological colleges where one can undertake a theological degree that is HECS-fundable and become ordained as an Anglican clergyman. If it is undertaken in Sydney full fees have to be paid upfront. There are massive inequities. This is a first step in addressing some of the issues that are encountered by students in private higher education.

There have been questions asked about quality and doubts cast on the quality of courses offered by our members. The fact is that we support rigorous quality; it is in our interest. Without quality that we can demonstrate we will not have any students, so there is strong support for quality measures. Our association has been working with the various state bodies responsible for the processes on the implementation and the implications of implementation of the MCEETYA protocols.

The sector is quite small. The magic number of 89 private providers from the Louise Watson study in 1999, a very important landmark first study, includes organisations that are owned by governments, such as the weather bureau in Melbourne. I am sure these organisations all run fine courses—I am not disputing that—but I do not believe that any institution such as Melbourne Private, owned by a public sector university, or Deakin University can be considered to be private colleges or universities. The list also includes NIDA, which I understand is funded out of the federal arts budget; the National Art School, which is a state funded operation; and the hotel school in Canberra, which is owned by the ACT government and accredited through Rochester. There are anomalies all the way through the list.

The other issue is that theological colleges tend to be parts of consortia, so they come together, and the government recognises the Australian College of Theology as a consortium that represents 20-something other smaller theological colleges. Each of the other consortia is in a similar position. So we suffer somewhat from a misunderstood view of what the private sector looks like. We have done some work—we had an EIP grant last year that enabled us to do the first statistical data capture for the private sector. The sector is about the size of a medium-sized university—about 16,000 bodies and about 9,000 EFTSU. We appreciate this opportunity to have the private sector better understood.

**Senator CARR**—Perhaps I could begin with ACPET. Do you take the view that the provision of public subsidies to private institutions would provide them with a market advantage?

**Mr Smith**—We use the word 'subsidy' in the context of students—students having the right of choice and being able to take what we regard as an entitlement to the institution of their choice. That improves the student's choice in the market.

**Senator CARR**—Mr Smith, if some institutions, some companies, are receiving public subsidies and others are not, is it not the case that those institutions in receipt of those public subsidies have a market advantage over their competitors?

**Mr Smith**—Not necessarily.

**Senator CARR**—No? Perhaps you could explain it to me.

**Mr Smith**—It is because those companies would compete in a tender sense if they are applying for government funding, and they would win the tender on the basis of having the best tender, presumably.

**Senator CARR**—However, if a student is able to go to a college—for instance, one of the four that have been named in this bill—would those particular institutions have an advantage over your members that are not on the list?

**Mr Smith**—No, and I should take this opportunity to make the point that we welcome the extension of PELS to those four colleges. But we see that not as the end of the process but as the establishment of a very important principle, because we think that all students enrolled or who wish to enrol in higher education private providers should have the opportunity of accessing such schemes.

**Senator CARR**—So you think this is the first part of an opening up of this sector. Was that the submission you put in?

**Mr Smith**—It is the establishment of a very important principle.

**Senator CARR**—A precedent is being set for an expansion of PELS to the private sector at large. Would that be a fair summary of your submission?

**Mr Smith**—Not to the private sector at large; to accredited private higher education institutions—yes, certainly, we welcome it.

**Senator CARR**—How many more colleges do you believe would be entitled to access to PELS, other than the four mentioned in this bill?

**Mr Smith**—In the attachment to the statement that I read to the committee and which I have tabled, there are 15 of my members, some of whom are also members of our sister organisation. There are, in Dr Watson's report, which was referred to earlier in evidence—

**Senator CARR**—Is that the *Survey of private providers in Australian higher education 1999*?

**Mr Smith**—Yes, it is somewhat dated now. I would say there would be over 100 registered private providers of higher education across the country, but of course, as McComb indicated, many of those are part of professional organisations. In terms of commercial providers or the sorts of members that I have in my organisation, there would be a much smaller number of students who pay up-front fees. Probably 40 to 50 might ultimately have eligibility or be interested in accessing PELS.

**Senator CARR**—In terms of the submission you are putting to us, you think that an additional 40 to 50 colleges, institutions or companies should have access to PELS.

**Mr Smith**—No, I do not think colleges should have access to PELS. I think Australian students who pay fees should have an entitlement to have access to deferred payment and loan schemes arranged by government.



**Senator CARR**—ACPET's position then is not that the colleges or the registered institutions be acknowledged as the appropriate vehicle but the students, irrespective of where they attend?

**Mr Smith**—That would be a better way of approaching it, yes. But this is the way the government has chosen to establish this principle, by adding—

**Senator CARR**—I understand the point; I am just trying to be clear as to what you are proposing. In your judgment, the whole question of registration of institutions—the quality assurance measures that you look at—is irrelevant because the critical issue is whether or not the student makes an application.

**Mr Smith**—Quality assurance is certainly not irrelevant; it is taken for granted. The colleges which these students would be enrolling in, and where they would be applying for PELS, would be fully accredited and approved to conduct courses.

**Senator CARR**—I understand that, Mr Smith. What I am trying to get to is whether or not you think it is the institution or the student that is important.

**Mr Smith**—I think both are important but, in the context of what we are talking about—deferred payment or loan schemes for students—we are talking about students having the right of choice and being able to access entitlements.

**Senator CARR**—If the student chooses to go to a non-accredited college, do you think they should be entitled to PELS?

**Mr Smith**—Do you mean non-accredited in terms of not being a course leading to an accredited award? No, I do not think they should have access to PELS.

**Senator CARR**—So the accreditation of the institution is important?

**Mr Smith**—In that sense, yes. It is critical.

**Senator CARR**—Therefore, you are saying that 40 to 50 accredited colleges is about the limit of the extra providers that you think should have access.

**Mr Smith**—You can only make assumptions in terms of what might be the number of higher education private providers that are approved to deliver accredited tertiary courses.

**Senator CARR**—I understand that. You are coming to this committee as an expert in the provision of private education. That is the point of your organisation. I have to assume you emphasise the importance of quality assurance. Everything I have seen suggests to me that that is exactly the way your organisation operates. Therefore, when I ask you how many additional providers you think may well have access to this scheme under your criteria, you think it is between 40 and 50.

**Mr Smith**—I am talking in terms of institutions whose students might be interested in accessing PELS. I think, for instance, that professional organisations such as the Institute of Chartered Accountants or the Chartered Institute of Company Secretaries, who may well be offering accredited programs, will be doing so to students who are already in full-time employment or whose fees are met by government. So the issue of PELS is irrelevant.

**Senator CARR**—The issue of accreditation is very important. Would you agree that the present arrangements accredit courses, not institutions?

**Mr Smith**—No, and I listened carefully to evidence given to the committee earlier today. It is very much a two-stage process, although, under national protocols put in place by MCEETYA now, they tend to be done concurrently. One stage is the process of accreditation

of courses to ensure that they are academically worthy. We need to bear in mind that the key criterion for the accreditation of a course—and the legislation I know best is the Victorian higher education act—is that the course is judged to be comparable to a similar course operating in a university.

**Senator CARR**—You have brought up your previous life in this matter, so I do not think it would be inappropriate for me to go to this. You have said to me that you are a former senior officer of the Victorian education department, in the higher education division, so you would be familiar with the accreditation process as it applies in Victoria.

**Mr Smith**—Yes. I managed the process.

**Senator CARR**—How many officers were in your section at that time?

**Mr Smith**—In administrative support there were about seven. But we did not accredit the courses. I said I managed the process. The courses are accredited by panels of highly qualified university academics.

**Senator CARR**—Sure, but in terms of the Victorian government's role, you said there were six or seven staff at the time. Did that include the secretaries and all the administrative officers?

**Mr Smith**—In my branch at the time there were seven professional and support staff.

**Senator CARR**—I am led to believe it is about the same now. In Victoria, can you recall how many private arms there were of universities?

**Mr Smith**—At the time, there was one private university established under the act.

**Senator CARR**—The private arms of public universities.

**Mr Smith**—All Victorian universities at the time had, and they probably still do have, private arms.

**Senator CARR**—Yes, they do. It is about 80 in Victoria. There are 300 in Australia, and about 80 of them are in Victoria. How often did your unit look at the private arms of public universities?

**Mr Smith**—I am not here, presumably, to give evidence about what happened in the past, but I will answer your question anyway. As I recall, on no occasions, because the private arms of universities were exempt under the act at that time from scrutiny.

**Senator CARR**—The reason I raise that is because I am familiar with the act and the processes that actually go to it. If the state government was not looking at public universities in their entirety, what confidence can we have that they were looking at private colleges?

**Mr Smith**—They were looking very closely at private providers. I am not talking about the private arms of universities because they were exempt from the act, something of course which my organisation strongly objects to. We believe in a level playing field. In Victoria, and in fact in all states, the private provider approval process is a very rigorous exercise. You asked before about the approval of institutions as distinct from courses and I neglected to follow up on the second part of your question. I will do it now. The approval of courses is a comprehensive stage which looks at the material wherewithal of a provider to be able to mount the course effectively. That means a close look at their books, their finances and the qualifications of their staff. The places are turned inside out, and my members will testify to that.

**Senator CARR**—Do you remember the Business Institute of Victoria which operated with RMIT at the time that you were administering that program?

**Mr Smith**—That was an RTO, was it not?

**Senator CARR**—Yes, but it was also offering higher education courses. In fact, convictions were recorded against the proprietors.

**Mr Smith**—They were offering those courses illegally.

**Senator CARR**—That is right.

**Mr Smith**—And I can remember being party to initiating prosecutions against it for breaching the act.

**Senator CARR**—That is right. It took a while. In fact, it took the Senate processes to actually uncover that particular matter.

**Mr Smith**—You had a significant role in that. I will concede that.

**Senator CARR**—Thank you, Mr Smith. As an experienced public servant, can you honestly tell this committee that the state government approval processes are thorough, rigorous and ones which we should have confidence in, particularly when they relate to providers then having direct and immediate access to another level of government's funding?

**Mr Smith**—I am an experienced former public servant. That was three years ago. A lot of things have moved on. Certainly, the Victorian system was a rigorous system then and it still is. The difference now—and this is a quality difference—is that we have in place the national protocols for the accreditation of higher education private providers. They have been signed off by all the ministers—Commonwealth, state and Territory. They provide for a uniformity of approach in quality assessment of private providers wishing to offer higher education courses. And it is a process in which we can have absolute confidence. Even the AVCC believes that the national protocols are first class.

**Senator CARR**—They have not been fully implemented yet, have they?

**Mr Smith**—They are very much in the process of being implemented, as I understand it.

**Senator CARR**—They have not been implemented, have they? They are in the process of being implemented.

**Mr Smith**—They are implemented.

**Senator CARR**—I think you will find that there is still a fair way to go to actually implementing the protocols as distinct from the states signing up to them.

**Mr Smith**—It may be semantics, Senator, because they are in force and I certainly know that we observe them and we understand that we have to work to them.

**Senator CARR**—It is not semantics insofar as there was a need for substantial reform. It has been widely acknowledged across all governments in this country. If there was a need for substantial reform, I presume there was an acknowledgment that there were serious problems. Would you agree?

**Mr Smith**—I am not certain about what you mean by 'problems'. Certainly, there was a lack of uniformity in the approach to accreditation and approval of higher education private providers. That is no longer the case.

**Senator CARR**—Mr McComb, do you hold a similar view, that this bill is the opening of the door for broader application to private providers having access to public subsidies?

**Mr McComb**—We do not necessarily believe this is providing subsidies to the provider. We see it as providing an equitable opportunity for students and also the opportunity for the government to expand higher education places at marginal cost. It also addresses areas of need such as teacher and nurse provision. As such, it looks like a very good piece of public policy to encourage private provision, to encourage additional places and to free up the pressure on the public sector.

**Senator CARR**—Do you take the view, as some submissions have to us, that the four institutions that under this bill would be put on the HEFA list would have a market advantage over their competitors?

**Mr McComb**—I think the key issue is that 600,000 students in the public sector have access to income contingent loans and about 10,000 EFTSU in the private sector have no access to income contingent loans, which, to quote Dr Chapman, is a capital market failure.

**Senator CARR**—The question went to a market advantage to those that are not on the list. Do you believe there is a market disadvantage to those that are not on this list?

**Mr McComb**—Yes, I suppose there has to be some disadvantage to them.

**Senator CARR**—Can you tell me how the four were selected?

**Mr McComb**—The grounds that the minister announced at the time were that with MCD and Bond he had sought to bring about some sort of broader change. We have inequitable situations all over the place and we have anomalies that keep cropping up. What was needed was systemic change. What is still needed is systemic change, and we are hoping that the crossroads process will identify a great deal of that and provide the means of dealing with it. If systemic change was not possible, these were clear anomalies that could be addressed as part of an incremental process. This legislation, by putting these institutions in an unfunded category, tucked down at section 98AA of the act, means that you will have the opportunity, I imagine, to debate other institutions going into the act.

**Senator CARR**—You would like to see other institutions put on the list, wouldn't you?

**Mr McComb**—Absolutely.

**Senator CARR**—How many more, do you think?

**Mr McComb**—It is a difficult question to answer because PELS and HECS provisions are not terribly relevant to some private providers who are funded by professional gateway accreditation operations and industry where they are effectively a training expense and a tax deductible cost of running their business to provide this to their employees for their work. Those groups are not really terribly interested in HECS and PELS, and that is why I believe that the number of institutions are 20-something. There is also the issue that some of our members are also members of Mr Smith's organisation.

**Senator CARR**—I want to know roughly what the possible financial impact is of this measure. We have heard estimates that the subsidy is between 15 and 30 per cent, and ACPET in their submission actually acknowledge that there is an implicit public subsidy in these arrangements. Do you agree with that?

**Mr McComb**—It is essentially about supporting students.

**Senator CARR**—Is there an implicit public subsidy in this arrangement, in your judgment?

**Mr McComb**—If there were, it sounds like a very good expenditure of public money.

**Senator CARR**—I understand that you think it is a good idea. I am asking you whether you acknowledge that there is in fact a public subsidy.

**Mr McComb**—It depends whether you ask the accountants or the economists. We have heard arguments from the economists—and the accountants have another view—about how income contingent loans operate within the government's budgetary framework.

**Senator CARR**—I have yet to find a public servant who will tell me that there is not an implicit subsidy in it. Are you saying I am wrong?

**Mr McComb**—There is an implicit subsidy to the student, I believe.

**Senator CARR**—That is my point. You acknowledge that. The question then is to what extent is that. We have heard estimates of between 15 and 30 per cent. Would you say that the prospect of increasing fees is also a direct consequence of this measure? Won't institutions seek to extend their market advantage by increasing fees?

**Mr McComb**—I do not know what our membership would do in terms of extending fees.

**Senator CARR**—Is there any provision in this bill that you can see that would prevent providers increasing their fees?

**Mr McComb**—I know that their fees are so much less than in the public sector that there would be room for them to increase fees. A typical masters in the theological colleges is about \$4,000 a year. Teacher education is about \$6,000.

**Senator CARR**—So there is a prospect that the fees may increase, and therefore the level of subsidy may well increase as well.

**Mr McComb**—Yes, but it is still an absolute drop in the bucket compared with the 600,000.

**Mr Smith**—My organisation does not agree with that, Senator. We certainly would not accept that—in fact, quite the contrary. We think that access to deferred payment and loan schemes for students will help to contain fees. The main advantage is that it will open up and maximise choice for students. We are talking here about entitlements for students.

**Mr McComb**—I agree with that completely. I did not mean to imply otherwise.

**Senator CARR**—How come, then, that universities in the last year have increased their fees so dramatically since PELS has been introduced?

**Mr Smith**—Universities do a lot of strange things, and we are not here to speak for universities.

**Senator CARR**—So you do not think the same conditions would apply to the private sector as to the public?

**Mr Smith**—No, we think access for our students to these schemes will, if anything, contain fees.

**Senator CARR**—Thank you. Dr Calvo, you are the Director of the Australian Institute of Music. What is your view about the provision of these colleges on the list?

**Dr Calvo**—As a professional economist, I suggest that the implied impact of the PEL program would be that, if not containing the rise in fees, it would more particularly reduce fees. I will explain why. The PEL system would simply be a recognition of the fact that if you introduce competition in a market you are likely to sustain prices, you are likely to limit inflation. If you are going to accept the proposition that this applies to any market, not only financial but also education, then the impact of this kind of subsidy is massively stabilising.

**Senator CARR**—Would you see an increase in the number of students undertaking courses?

**Dr Calvo**—The students would have the opportunity to have choice. If you do not have choice you do not have freedom. If you have freedom then you must have choice.

**Senator CARR**—The government is proposing 2,000 additional places be created. I presume you expect there will be an increase in demand as a result of this program.

**Dr Calvo**—Most probably yes.

**Senator CARR**—Normally when demand increases and the provider numbers stay the same there is an increase in price, isn't there?

**Dr Calvo**—Not necessarily. It depends on the other side of the equation, which is the supply side. You base your statement on the implication of demand. But on the supply side, of course, the dampening effect will follow.

**Senator CARR**—I am interested in the supply side as well.

**Dr Calvo**—It is neutral.

**Senator CARR**—Is your college on the list of institutions that are going to attract the fees?

**Dr Calvo**—Not in the bill.

**Senator CARR**—Do you want to be on the list?

**Dr Calvo**—Yes, of course.

**Senator CARR**—How come the other four are on the list and you are not?

**Dr Calvo**—It is a start.

**Mr Smith**—We suggest that that is a question you should put to the government.

**Senator CARR**—Don't worry, Mr Smith. Be assured I will. The officers are here. Dr Calvo, are you surprised to see those four colleges on the list, and not yours?

**Dr Calvo**—I was delighted to see that some institutions qualified for it.

**Senator CARR**—How long has your institution been running?

**Dr Calvo**—For 34 years.

**Senator CARR**—Were you approached by the government to ask to be on the list?

**Dr Calvo**—No.

**Senator CARR**—Were you asked to participate in any process at any time to ascertain the criteria for inclusion on the list?

**Dr Calvo**—No.

**Senator CARR**—Are you aware of any criteria, apart from sucking up to the Liberal Party before the election?

**Dr Calvo**—There are plenty of criteria, of course.

**Senator CARR**—What are the criteria, then?

**Dr Calvo**—The criterion, as I said, is social rationality. That is to say, if you are going to have an educational milieu that generates interest, demand, in the process, obviously the impact will be positive.

**Senator CARR**—But, Dr Calvo, doesn't that criterion apply to your institute?

**Dr Calvo**—In what sense, Senator?

**Senator CARR**—In every sense in the world, I would have thought. Aren't you, on the same basis, worthy of inclusion on the list?

**Dr Calvo**—Of course we are.

**Senator CARR**—Well, why weren't you included? That's my question.

**Dr Calvo**—Two reasons. That is a question that the government should answer. It is not for me.

**Senator CARR**—Have you asked them?

**Dr Calvo**—I wasn't approached and I did not ask them, but I am asking them now.

**Mr Smith**—Senator, it is certainly a question we have pondered. If you look at the list, on the attachment to our statement you will see a very interesting collection of providers in terms of their disciplines. I draw a couple to your attention. Alternative medicine is a massive and growing area in this country. One in two Australians have tried alternative medicine. The higher education private providers have led the field in this emerging new discipline, and yet our students cannot access any form of deferred payment or credit loan scheme. We are anxious to see the list extended to include all accredited private providers.

**Senator CARR**—How many students do you think should be included? They have provided 2,200 places here. What numbers do you think the government should be aiming for?

**Mr Smith**—Senator, if you look at our statement, if you are only talking PELS, at this stage in terms of my members we are simply asking for it to extend to another 140 plus 12. Surely the government could do that without too much difficulty.

**Senator CARR**—What about you, Mr McComb? What do you think the numbers should be? I am quite happy for anyone else to answer the question.

**Mr McComb**—We have a lot of statistics. I could take that question on notice.

**Senator CARR**—We are looking for somewhere between 30 and 50 additional providers, or maybe a few more than that.

**Mr Smith**—Very small numbers when you are talking about postgraduate work. I concede that if you talk about the extension of the HECS scheme to private providers—and that is what we really want; I guess that is our end objective—then you would be talking larger numbers. But even then, if you look at our members, we have at the moment probably a little over 3,000 and my number of 50 before. I think Mr McComb referred to there being a total EFTSU in this area of about 10,000 students, but many of those students are in full-time employment and these sorts of things, so the number will be significantly less than 10,000.

**Senator CARR**—Are you saying that if they are in full-time employment they should not get the loan term at all—that they should not have their fees subsidised at all?

**Mr Smith**—Because most or many of them will be in employment.

**Mr McComb**—Currently in the sector we would have about 1,600 non-overseas postgraduate student load—I am not talking about student enrolment. The load is about 1,600 EFTSU, and that is without taking into account the industry bodies. That is spread over about 25 institutions, including natural health, the Australian Institute of Music and others.

**Senator CARR**—We raised some issues before about the quid pro quo for public subsidies. I am sure all of you were here for that. The argument was put that there should be criteria established for the receipt of public subsidies—that is, acknowledgment by the private provider that they have to meet the level playing field criteria. It was suggested that some of these criteria include guaranteed minimum levels of quality and standards, nondiscriminatory admission policies, full public accountability and transparency of government structures, commitment to free and open inquiry, and a curriculum which not only tolerates but exposes students to a variety of perspectives. Would anyone like to comment on those criteria and the principle?

**Mr Smith**—We agree absolutely. All accredited higher education providers must conform to all applicable Commonwealth, state and territory laws. They cover the whole gamut of discrimination and employment providers. Private providers are responsible employers and proper educators. The whole basis of our accreditation is that we must have a higher education ethos similar to universities. The people who make these judgments are not us but university academics. If anybody is going to find problems with higher education private providers, it will be university academics when they come in on their audits because they are the people the government employs to conduct the accreditation and approval processes. So, if a higher education provider comes through that rigorous process, you can be sure that all of those conditions have been met.

**Senator CARR**—So you are happy with those sorts of conditions?

**Mr Smith**—Absolutely.

**Dr Madigan**—I would like to respond to that with one small qualification; that is, that a number of the private providers are in existence because there are certain interest groups or defined communities that are interested in what they present. The enrolments to those institutions are largely self-selecting. In regard to some of the criteria that you have been suggesting this morning, for instance a religious test or a religious ethos of an institution, if for some reason a whole lot of people who did not share that ethos chose to enrol in it, that could change the nature of the institution such that it was not what it had been set up to be. We do not have the problem. We have not turned anyone away on that ground because of the self-selection issue. People choose to come to Avondale College because they want what Avondale College is offering.

**Senator CARR**—Dr Madigan, Avondale has an affinity with a particular religious view. Are you able to tell us what that view is?

**Dr Madigan**—Yes. The Avondale College is operated by the Seventh Day Adventist Church.

**Senator CARR**—On the question of governance, are there any restrictions on outside participation in the governance of Avondale?



**Dr Madigan**—The governance of the institution was negotiated with the former CTEC in 1986 when funding was made available to some of our students. The criteria involved community people. There is a nominee of the Lake Macquarie City Council. There are nominees of vice-chancellors of Australian universities. We have a student representative and two staff representatives, and there are others from various employer groups of our students. To this date, the people who have been nominated by the various bodies have been Seventh Day Adventists, but it is not mandatory that they be.

**Senator CARR**—Dr Madigan, if the government of New South Wales, for argument's sake, said that they thought that it would be appropriate to have someone from the department on your governing council, would you object?

**Dr Madigan**—The original set-up of the governance actually included that, but the minister of the day believed that he should not have a representative on a private provider organisation and so did not send anyone.

**Senator CARR**—So that has never been an issue because it has never been exercised, but provision for outside secular nominees to your council is there at the moment, is it?

**Dr Madigan**—There are nominees from two vice-chancellors.

**Senator CARR**—I understand that, but the state government—

**Dr Madigan**—There is no provision at the moment for nomination from the state government.

**Senator CARR**—That is a bit different from other institutions in New South Wales, isn't it?

**Dr Madigan**—State universities, yes; it is certainly different.

**Senator CARR**—Were you ever approached to be a university, a formal institution?

**CHAIR**—Under the Dawkins arrangements.

**Dr Madigan**—We have applied to become a university but I would not say we have been approached to become one.

**Senator CARR**—You have applied, but under the present arrangements not to become part of the state system as such, though. Were you ever approached on that basis?

**Dr Madigan**—I do not know whether we were. I am not in a position to answer that question, but I do know that at the time of the Dawkins reforms to the system when we were accredited under the CAE our council made a submission requesting that we not be amalgamated with an existing university because of our situation.

**Senator CARR**—That is the point I am making: you have made a conscious decision to remain separate.

**Dr Madigan**—Yes.

**Senator CARR**—Do the antidiscrimination laws apply to you as a religious organisation? Are there any exemptions?

**Dr Madigan**—Yes, as a religious organisation we have the general exemptions under the act related to issues which would offend the susceptibilities of our members.

**Senator CARR**—That is not uncommon in Australia, is it, that religious institutions, be they educational institutions or other bodies, are in fact exempt from discrimination laws?

**Dr Madigan**—I believe that is common.

**Senator CARR**—You are a practitioner and I am not, and I have been wondering whether or not that is the case. There is actually no requirement for you to meet discrimination laws at the moment.

**Dr Madigan**—I am of the opinion that if it is not something which is causing a religious susceptibility problem then we are as much under the jurisdiction of antidiscrimination laws as anybody else.

**Senator CARR**—But didn't you just say that you were exempt from those laws?

**Dr Madigan**—The exemption was under a specific category.

**Senator CARR**—Let us be clear here. Are you saying it has not been an issue or that you are in fact exempt?

**Dr Madigan**—We have not faced an issue; I am just giving you my understanding of what the legislation says.

**CHAIR**—I think Dr Madison is saying that he is exempt on religious grounds.

**Senator CARR**—That is my understanding too. I just wanted to be clear about that. I understand Christian College and all the others are as well; that there are in fact no discrimination laws that apply to religious institutions. Do you think that is inconsistent with your obligations in seeking access to public subsidies?

**Dr Madigan**—I think the question of public subsidies to our students is a question of choice for students, and the legislators need to make a decision whether it is appropriate for government subsidies to be given to students who attend institutions such as ours.

**Senator CARR**—In fact that is an issue that is very much at the heart of this discussion we are having at the moment, isn't it—whether or not the same rules apply?

**CHAIR**—Just to clarify, Dr Madigan, I take it you are subject to the discrimination laws but you have an exemption just on the religious criteria.

**Dr Madigan**—That is certainly how I understand it. That is what I was trying to say.

**CHAIR**—But you are subject to the remaining parts of the discrimination laws.

**Dr Madigan**—Yes.

**Senator CARR**—So if a person is not a Seventh Day Adventist and applied for admission, you do not have to accept them.

**Dr Madigan**—You are saying we do not have to accept them? Our admission rules will indicate that we would accept them, and we will function by our admission rules.

**Senator CARR**—So what aspects of religious practice would you say require an exemption? Why shouldn't we remove the exemption, if it does not matter?

**Dr Madigan**—I think the reason for retaining an exemption in these cases is to protect the character of the institution. If every student who enrolled at Avondale College were not enrolled because they had an interest in the fact that we were offering an education in a religious context, then we would cease to be what we wanted to be. We would probably close up shop and stop. There is an intermediate point, I suppose, when we might say that we would like to put a limit on people who had no profession of religion who came into the institution. I think it is a theoretical problem rather than a real problem.

**Senator CARR**—That is fine, but, if it is a theoretical problem, what if I said to you in a theoretical way, if the exemption were removed, what objection would you have?

**Dr Madigan**—I think I would need to give that more thought.

**Senator CARR**—So you accept persons who are not of the Seventh Day Adventist faith?

**Dr Madigan**—Yes.

**Senator CARR**—So any Christian denomination. What about persons who are not Christian?

**Dr Madigan**—We have had a small number of students in that category, but usually they do not apply.

**Senator CARR**—And you have no policies on sexual preference, for instance? Do you have any bars on persons because of sexual preference?

**Dr Madigan**—Not explicitly, no. Our church has a standard that sexual behaviour should be exhibited within marriage, but it is not a situation where we interrogate students on the issue.

**Senator CARR**—The reason I raise these things is not because I want to cast any judgment at all about the beliefs of practitioners. The question arises as to whether or not the same laws apply in every institution in which there is public subsidy.

**Dr Madigan**—Yes, I understand that that is the question you are asking. The perspective I would like some consideration of is whether it is considered that institutions that have an advertised and well-known transparent ethos have an entitlement for students who wish to come there not to be discriminated against in terms of student assistance policy.

**Senator CARR**—Sure. Finally, I will turn to the issue of the Australian Universities Quality Agency. It has been suggested that it might be an appropriate model for establishing criteria. You are a director of the AUQA, are you not?

**Dr Madigan**—I am.

**Senator CARR**—You will be able to help me here. We have had a lot of trouble getting the AUQA before Senate estimates. Perhaps you can tell me how we got into the situation at the University of New South Wales, for instance, where such extraordinary failings were demonstrated but the agency was not made aware of these failings and, for that matter, the agency had itself not established that they were occurring?

**Dr Madigan**—I am not here to speak on behalf of AUQA, so I cannot comment.

**Senator CARR**—You may not be able to comment on that, but you will get the point I am making. As a director of the AUQA, how adequate do you regard that agency as being able to actually establish appropriate independent audit arrangements that would verify criteria for admission to the HEFA—

**CHAIR**—Order, Senator! I do not know whether it is particularly fair to ask a director these questions—

**Senator CARR**—On the contrary, I thought he would be an expert witness.

**CHAIR**—which are tangential to the central thrust of this bill. I appreciate you would like to take the opportunity, but I do not think it is really appropriate.

**Senator CARR**—Dr Madigan, can you answer the question?

**Dr Madigan**—I am not prepared to answer the question; I do not have the authority.

**Senator CARR**—That is fair enough.

**Senator CROSSIN**—Mr Smith or Mr McComb, have either of your organisations responded to the crossroads paper?

**Mr Smith**—ACPET has. We have made a submission, along with 400 others, I think. The thrust of our submission in the broad is the same as we have put to you today—that is, on the basis of equity and fairness there should be changes in funding arrangements which would enable students to carry an entitlement to the approved tertiary institution of their choice.

**Senator CROSSIN**—Mr McComb, did you?

**Mr McComb**—I will give you a copy, if you like.

**Senator CROSSIN**—Did either of your submissions go specifically to the issue of PELS going to private institutions?

**Mr Smith**—As I recall, yes, we did. Subject to checking, I recall we did refer to the government's decision. We acknowledge that it was made in the context of an election campaign, and the government was successful in the campaign and had every right to implement the promise. We are surprised it has taken so long, but we are delighted to see it because it establishes that very principle on which our crossroads submission is based.

**Senator CROSSIN**—Are you not equally surprised that the review of the higher education sector would not have been completed and then perhaps such an election promise would be implemented? Do you concur with other witnesses today that this action pre-empts any outcome of the review?

**Mr Smith**—Government is a very complex process, as you would well appreciate. The whole of government moves on—you cannot stop a nation while you conduct a debate. The debate goes on in the meantime and the government moves on and implements things that have been agreed by the people. It was a specific election promise. At the time, we spoke to the then minister and expressed our disappointment that the promise did not go further but we said we welcomed it for what it was—the establishment of a principle.

**Senator CROSSIN**—Let's go back to my question, Mr Smith. Do you think that this action and legislation—as opposed to this legislation being introduced, say, in 12 months time—pre-empts any outcome of a review in respect of whether PELS should be extended to, for example, all of your members?

**Mr Smith**—No, not in any way because government goes on. The government is implementing a decision that was made well before the crossroads debate began. Government is implementing other election promises—that is what the public expect.

**Senator CROSSIN**—What is that decision based on? I am not satisfied that I have heard from either you or Mr McComb the reasons why you believe these four institutions were chosen and not the other 15 you have provided on the list.

**Mr Smith**—I have no idea why the four institutions were chosen. I suggested to Senator Carr before that he ask the federal minister. We are pleased that four have been chosen and that it is the beginning of a process that will see this opportunity open to students who enrol in all private providers.

**Senator CROSSIN**—Do you base that assumption on the fact that you think an extension of this might be a consistent approach? What if the government changes the goalposts in respect of the next 15? How can you anticipate that that will not be the case?

**Mr Smith**—We would face that at the time. We are very optimistic that this new policy initiative will be followed through, and think that it is very proper for these things to be discussed during the debate that the minister has initiated.

**Senator CROSSIN**—Ms Moss, how did your organisation come to form this view? Did you conduct a survey of your members?

**Ms Moss**—We do have very close contact with our members, and our board meets regularly and discusses these issues.

**Senator CROSSIN**—So they would pass a policy at their meeting which they would expect you to convey to us—is that correct?

**Ms Moss**—They do pass policies at meetings, yes.

**Mr Smith**—We published an election manifesto which made this very point prior to the election, and we sent a copy to you, as I recall.

**Senator CROSSIN**—I think so. It was similar to a manifesto that CAPA also sent to people based on their policy process within their organisation.

**Mr Smith**—I have not seen the CAPA manifesto. I do not know.

**Mr McComb**—You asked a question about COPHE's position in our crossroads submission and, yes, we have argued for an extension of PELS to all students undertaking accredited courses. We have also proposed an extension of PELS type loans to all full-fee undergraduate students in all sectors of higher education. All our documents are circulated by email to all our members, and I depend on them to get input, so all of our documents certainly represent the views of the members. It is easier with 20 members than—

**Senator CROSSIN**—It is much easier than trying to communicate with 155,000 people, no doubt.

**Mr McComb**—I am sure.

**Senator CROSSIN**—Mr Smith, are there any other private tertiary institutions that are not members of yours? When you speak about extending this provision right across the board, are there some that are not members of yours?

**Mr Smith**—There are a number. There is uncertainty as to the number of higher education private providers offering approved and accredited courses—let us say it is 80 or 100. Fifteen of my members offer courses as awards in their own right; dozens offer courses, either under franchised arrangements or in partnerships or under licence from universities. They provide pathways, such as Ms Moss's college, where most of her students articulate through with full credit transfer to RMIT degrees and postgraduate degrees.

**Senator CROSSIN**—What would your reaction be if the next university to pop up on the list was Greenwich?

**Mr Smith**—Greenwich is not a university—

**Senator CARR**—Are you saying—

**Mr Smith**—and I can say that under absolute privilege! In our view, Greenwich is not a university.

**Senator CROSSIN**—Some of these institutions are not universities either; they are just registered training organisations.

**Mr Smith**—I am only talking here about approved private higher education institutions. Let us be perfectly clear—because there was some confusion on the part of some witnesses this morning about registered training organisations—

**Senator CROSSIN**—That is right, there was.

**Mr Smith**—we have 450 members across the country in every state and territory. We are a broad church: we have higher education private providers, registered training organisations delivering VET programs and a large number of ELICOS providers, all doing worthwhile work and all working in those three sectors. But we are here today talking about higher education private providers.

**Senator CROSSIN**—You do not believe that, in the first instance, this legislation should have applied to at least two of these four who were self-accrediting?

**Mr Smith**—No. I have seen the AVCC's submission on that, and I think the distinction is a meaningless one, because there is no difference in terms of delivery of courses and capacity to deliver a course between a university and an accredited higher education private provider. Private providers would not get permission from government to deliver a course unless the government audit panels—audit panels comprising university academics—were satisfied that the course was comparable to and equivalent to a course in a university. They are the words in the acts.

**Senator CROSSIN**—Thank you.

**Mr McComb**—Senator, you asked before about the criteria for those institutions. There is a small but expanding Christian school sector that is crying out for staff who have obtained their teaching qualifications and have an understanding of the ethos of that sector. The minister of the day recognised the contribution of this sector, which is not an elitist school area, and recognised that these two institutions were the key providers of teachers for that sector.

**Senator CROSSIN**—So you think that is the criteria under which they were included, do you?

**Mr McComb**—That was the criteria that the minister announced and that is the criteria that underpinned what he took to an election. It was the result of years and years of representations, and I believe they have a clear mandate to put it through.

**Senator CROSSIN**—As opposed to, say, the Harvest Bible College or the Australian College of Theology, for example?

**Mr McComb**—I think the Australian College of Theology has an excellent case to put for this precedent to be taken further. However, the Melbourne College of Divinity was included, along with Bond University, as one of only two institutions that were self-accrediting that were not included in HEFA.

**Senator CARR**—Tabor College—are they a member of your organisation?

**Mr McComb**—Yes, they are.

**Senator CARR**—How many of their postgraduate courses are in teacher ed?

**Mr McComb**—I would have to look it up. For Tabor College (Adelaide), most of their masters students, I understand, are in teacher ed. I have the numbers on their teaching ed and I can fish it out of my bag. I do not have the numbers on the other areas.

**Senator CARR**—Can you check that for us? I am led to believe that there are not too many in the postgraduate area at Adelaide. Is that the case?

**Mr McComb**—It is not a big number, no.

**Senator CARR**—In fact, none.

**Mr McComb**—I beg your pardon?

**Senator CARR**—Would it be none?

**Mr McComb**—May I ask my colleague? He will know the number.

**Senator CARR**—Yes, if you could. It would help us out, because you outlined the criteria and it would be good to check that.

**Mr McComb**—I beg your pardon, I have calendar 2000 figures here. These are across all Tabor and I would need some guidance on understanding the figures. There were 19.5 EFTSUs in postgraduate.

**Senator CARR**—But in teaching?

**Mr McComb**—They had only one student in calendar year 2000 in postgraduate education.

**Senator CARR**—If one of the 19 was the number in teaching then surely that cannot be the criterion.

**Mr McComb**—The 19, I think, would have been in counselling and theology.

**Senator CARR**—Yes, but they are not teaching.

**Mr McComb**—That is correct.

**Senator CARR**—So that is clearly not the criterion.

**Mr McComb**—The criterion that the minister of the day put forward was indeed education.

**Senator CARR**—Okay. So we have to get the distinction here between what he said and what actually happened. It was often the case with Dr Kemp that we did have this departure.

**CHAIR**—Thank you for the editorial comment, Senator. We will move on to the next question.

**Senator CROSSIN**—Mr McComb, would you also not agree, though, that you do not need postgraduate studies in order to enable you to teach, that in fact you can have done undergraduate study and that that qualifies you to teach?

**Mr McComb**—I believe the key contribution of Tabor and CHC is in undergraduate teacher education for the support of that sector, even though they have programs that are growing at postgraduate level. In the last two or three years they have increased several fold.

**Senator CROSSIN**—So if what you said about what Dr Kemp alleged was the intent of this legislation, it would make more sense, would it not, that this would apply to HECS fees rather than to PELS?

**Mr McComb**—I think it would make a lot of sense for this provision to apply to all students undertaking accredited higher education with any private provider, for the reasons I mentioned before. There are about 500 undergraduate students in full-fee teacher education courses with private providers. There are about 50 in graduate courses and about 150 in postgraduate courses, mostly directed towards the uniqueness of the independent and Christian schools sector, but government departments of education express a great deal of keenness to hire as many of their graduates as they can get. We do not have any knowledge of any unemployment of any of these teachers.

**Senator CARR**—If there is one out of 19 you would not expect too much unemployment.

**Mr McComb**—I beg your pardon: I was talking about the 550-odd undertaking bachelor level courses.

**Senator CROSSIN**—We could go into a debate about the chronic shortage of teachers in this country, but I do not think we have the time.

**CHAIR**—I thank the witnesses for appearing.



[2.55 p.m.]

**BURMESTER, Mr William Peter, Group Manager, Higher Education Group, Department of Education, Science and Training (DEST)**

**FERNANDEZ, Ms Maria Jose, Director, Student Financing Section, Department of Education, Science and Training (DEST)**

**MORAHAN, Ms Stella Maria, Acting Branch Manager, Funding Branch, Higher Education Group, Department of Education, Science and Training (DEST)**

**CHAIR**—I would like to welcome representatives of the Department of Education, Science and Training. The committee has before it submission No. 12. Are there any changes you wish to make?

**Mr Burmester**—No, Senator.

**CHAIR**—I now invite you to make a brief opening statement and then we will go to questions.

**Mr Burmester**—We do not have an opening statement. The submission goes to the explanation of the provisions of the bill, and we are happy to take questions from the committee.

**Senator CARR**—This bill covers two aspects: PELS, plus some funding arrangements with regard to HECS receipts and indexation. I notice that there is a reduction in funding in 2002—in fact a reduction of \$14 million. Is that right?

**Mr Burmester**—It is not a reduction of funds to the sector. What the amendments to the funding bill do with regard to those clauses are to take an estimate of the amount of HECS receipts and how much is paid from the trust account and adjust those as we get more information.

**Senator CARR**—How is it that we are able to get an error of \$14 million?

**Ms Morahan**—Institutions enrolled a significantly greater number of students in 2001 than we had estimated. That has flow-through effects for the next three to four years. We are attempting to make a more accurate assessment given that additional information.

**Senator CARR**—In having to correct your estimates by this level, have you contemplated changing any of the assessment procedures so that you get more accurate information?

**Ms Morahan**—We base our estimates on the information provided to us from universities. In 2001, universities enrolled significantly more students than they themselves had predicted. I cannot recall the exact number but it was in the order of 5,000 to 8,000 extra students.

**Senator CARR**—So these were over-enrolled students—over the EFTSU numbers?

**Ms Morahan**—They were not only over their target number but also over the numbers they had initially given to us in relation to over-enrolment.

**Senator CARR**—So they just opened the doors and in they came?

**Ms Morahan**—That is not necessarily how I would put it.

**Senator CARR**—The amount of \$14 million is a fair sum of money, though.

**Ms Morahan**—Yes, Senator.

**Senator CARR**—Are any universities going to be financially disadvantaged as a result of the reductions in this bill?

**Ms Morahan**—No, Senator. The amount of money for operating grant purposes stays the same. Those institutions that have over-enrolled will benefit from the additional marginal funding for over-enrolment.

**Senator CARR**—So it has no impact whatsoever on any individual institution?

**Ms Morahan**—No adverse financial impact.

**Senator CARR**—Where does the \$14 million come from?

**Ms Morahan**—It comes from our estimates of students' HECS liabilities.

**Senator CARR**—But you are spending \$14 million less. Presumably someone out there is getting less money. That is right, isn't it? That is what it says here—'financial impact: decreased funding by \$14 million.' Where does that come from?

**Ms Morahan**—That is section 17, I believe.

**Mr Burmester**—That is a figure for the net impact of all the variations in the bill to the funding amounts. That includes a transfer of some amounts in relation to the ANU research school, to NHMRC and to the ARC grants so that they compete for those grants on a competitive basis. While there is a net reduction in total funds appropriated under this bill, total appropriations in the financial year to the sector are maintained and appropriated through other instruments.

**Senator CARR**—In effect, that is the ANU's buy-in, is it?

**Mr Burmester**—That would be part of it. Some of it would be the HECS amounts that we have been talking about but some of it would be the transfer out of the ANU.

**Senator CARR**—So it is the ANU that is the institution that is receiving less money?

**Mr Burmester**—It will receive funds and compete for funds from a variety of sources, not just from the Higher Education Funding Act, but through the NHMRC funds, for example, and the ARC amounts, and that has been agreed with the university.

**Senator CARR**—What do you anticipate to be the net gain then for the ANU if that is what you are putting to us?

**Mr Burmester**—It depends how competitive they are in their grants. I do not know whether we have done an estimate.

**Senator CARR**—Have you seen my letter to Dr Shergold in regard to the estimates answers? Have you had an answer to that yet?

**Mr Burmester**—We have received your letter, Senator, and it is getting due consideration.

**Senator CARR**—When will you have an answer for me? I could probably work all these questions out for myself if I had the information I sought from you at the last estimates.

**Mr Burmester**—You will get an answer directly, Senator.

**Senator CARR**—Will it be along the lines of the non-answer we got last time or are you actually going to give me some information this time?

**Mr Burmester**—I think it clarifies our position, Senator.

**Senator CARR**—It clarifies it. That is, you are not telling me what is going on at the university?

**Mr Burmester**—The response has not yet been finalised.

**Senator CARR**—As you know, I have to give some consideration to a return to order. I am sure you understand how much work is involved in a return to order so it might be easier if the department were able to actually answer the questions I put to them. Has that been taken into account?

**Mr Burmester**—Certainly, Senator. We know the requirements of the Senate.

**Senator CARR**—I am pleased to hear that. Can I then go to the question of the financial impact of this particular measure in regard to the PELS arrangement. What is your judgment of the implicit subsidy? How much is it?

**Mr Burmester**—There has been a variety of figures mentioned today and there is no doubt an implicit subsidy that exists through the provision of PELS and that was always acknowledged as part of the creation of PELS last year. We have not come up with a specific figure on the increase in the implicit subsidy as a result of the measures in this bill, but we think that some of the figures that were mentioned today are probably on the high side. Our advice is that the implicit subsidy of a PELS-type loan is on average 12 per cent.

**Senator CARR**—I see. Dr Chapman, who is a renowned expert in this area, said it was between 15 and 30 per cent. Are you saying he overestimated?

**Mr Burmester**—Dr Chapman provided a number of scenarios and he drew an example from which he could show that there could be a subsidy of that size to a particular individual in particular circumstances where they had a pre-existing HECS loan and so forth. But on average—and that is the figure that you have to look at as the implicit subsidy provided to the whole class of students who take out a PELS loan—it is estimated at 12 per cent, and that is the figure that we would use in—

**Senator CARR**—What is the total outgoings cost for this measure?

**Mr Burmester**—In budget figuring terms I think the measures in regard to PELS actually show up as—

**Senator CARR**—Yes, I understand the argument, but how much are you spending? Not how much the accountants play with—how much are you spending?

**Mr Burmester**—We believe there will be \$18 million worth of loans provided under this measure.

**Senator CARR**—So would it be reasonable for me to assume that, on the 12 per cent figure, I could calculate the implicit subsidy on that \$18 million worth of initial loans as 12 per cent of the \$18 million.

**Mr Burmester**—Yes.

**Senator CARR**—That is the average. It may, in fact, be higher for some people.

**Mr Burmester**—Yes, within that there would be some people who had a very small benefit and others who would, no doubt, get a higher level.

**Senator CARR**—You have got a doubtful debt provision here of \$30 million by 2004-05. Would you stand by that?

**Ms Fernandez**—Yes, we would. That is based on the Australian government actuary's current doubtful debt estimates.

**Senator CARR**—So, over the life of the whole program, is it the case that I should add the figures of \$17 million for 2001-02, \$34 million for 2002-03, \$32 million for 2003-04 and \$29 million for 2004-05?

**Ms Fernandez**—Is that in regard to the estimate of the doubtful debt?

**Senator CARR**—I am referring to your answer E338 on doubtful debt.

**Ms Fernandez**—No. It is accumulative each year; you do not add them, no.

**Senator CARR**—Then why does it go up and down?

**Ms Fernandez**—Because of the size of the debt: if more students take out more loans then the size of the debt is larger and, consequently, the doubtful debt is also larger.

**Senator CARR**—So I should work this out across the triennium: you are saying that the total effect across the triennium is, therefore, nearly \$30 million.

**Ms Fernandez**—Yes, the last figure.

**Mr Burmester**—Senator, I think you are adding apples and oranges there. If we write \$17 million or \$18 million worth of new loans under this measure then we are not going to lose \$34 million. You have added once-off figures together and you cannot do that. So your statement of the amount of funds involved in this is a gross overestimate.

**Senator CARR**—But I have got your answer No. E338 here. I see the figure on the final year—and you have asked me to take it on the basis of the final year—as \$29.722 million? Is that an accurate figure or not?

**Mr Burmester**—We do not have that question with us. I would like to have a look at the question.

**Senator CARR**—It is an important issue because the question is: can you confirm the implicit subsidy on average for the postgraduate loans scheme—that is, the total scheme? I am suggesting to you that the doubtful debt provision is at least \$30 million.

**Mr Burmester**—If that is for the whole of PELS then that is a more realistic figure: I thought you were talking about the \$18 million of debt—

**Senator CARR**—No. I am saying that the additional measure on top of that is this new measure of at least 12 per cent of the \$18 million. That does not include bad debts of the \$18 million, does it? What is the provision in the additional \$18 million for bad debts?

**Ms Fernandez**—The estimate that we have used is the same percentage estimate that we have used for the current HECS/PELS debt.

**Senator CARR**—What is that?

**Ms Fernandez**—Nineteen per cent.

**Senator CARR**—So there is an additional 19 per cent for bad debt.

**Ms Fernandez**—That is the doubtful debt; it does not necessarily mean that that will be what is written off. The debts are only written off in death.

**Senator CARR**—But it could be 19 per cent.

**Ms Fernandez**—It could be.

**Senator CARR**—So we have got \$12 million plus \$19 million: it is starting to add up, isn't it? It is quite an expensive little arrangement.

**Mr Burmester**—Overall, the provision of PELS was intended to provide support for postgraduate study, so there is a cost to that support.

**Senator CARR**—That is the point I am making. If we were to apply the real rate of interest to the HECS arrangements you would tell me that that is \$1 billion—\$926.5 million is the figure you have given me in answer No. E333.

**Mr Burmester**—I remember that figure.

**Senator CARR**—That is nearly \$1 billion; it is a lot of money. If the government were to introduce a real rate of interest on HECS as it presently stands, then it would be an additional billion dollars that would have to be paid by students or ex-students. If a real rate of interest was applied to PELS, what do you think the figure would be?

**Ms Fernandez**—We have not done those estimates.

**Mr Burmester**—On the figures that we have given you, it would be the 12 per cent of the total amount of PELS debt.

**Senator CARR**—Thank you very much. All I am trying to get to is that we are now talking about a substantial level of public moneys going to a group of people, some of whom are public and some of whom are private. In this bill, you are proposing to extend the number of providers who have access to this public subsidy.

**Mr Burmester**—The subsidy goes to the students, not to the institutions.

**Senator CARR**—But the effect of it is to the institution, is it not? That is what Dr Chapman told us this morning. Do you disagree with that?

**Mr Burmester**—Yes. I think some other witnesses this afternoon told you that that analysis was not necessarily the case and that they disagreed with his analysis.

**Senator CARR**—So the institution receives no benefit from this?

**Mr Burmester**—The extent to which an institution may receive a benefit is indeterminate because you do not have all the components that would be necessary to do that analysis. The proposition put by other witnesses this afternoon was that it would relieve cost pressures because it would get more people into courses and therefore lower the average cost to those students.

**Senator CARR**—Do you believe that?

**Mr Burmester**—It is a prospect in some universities, I am sure.

**Senator CARR**—As a professional public servant of considerable authority and reputation in this country, do you believe that evidence?

**Mr Burmester**—I do not know whether there will be a price increase or decrease in any particular faculty or course, because I do not have the details on which the cost structures are based. But each outcome of those alternatives is possible.

**Senator CARR**—When the Australian College of Theology tells us: 'Access to PELS will enable institutions to underwrite their commitment to research more freely,' do you think they are misleading us?

**Mr Burmester**—There is a possibility that that could be so. If they were cross-subsidising their courses from their research funds, the fact that the courses became fully funded on a viable basis meant that internal cross-subsidy could be removed and devoted to research.

**Senator CARR**—So you do not accept the submissions that have been put to us by the institutions themselves that the effect of this bill is to give some institutions a marked advantage over their competitors?

**Mr Burmester**—The current arrangements mean that in the postgraduate area, which is largely a fee based area, the access of some institutions to PELS does provide them with an advantage over those that do not have access. This bill goes some way to addressing that anomaly by providing an extension to four further institutions.

**Senator CARR**—Thank you, Mr Burmester. Why is it that these four institutions have been proposed additions to the list and not others?

**Mr Burmester**—The government gave a commitment that these four institutions would be included within PELS, prior to the last election.

**Senator CARR**—Why these four? We are told there could be as many as 80 on the list of private providers—the list that you have provided in the past. We are told in other estimates that it could be 40 to 50; others say a few less. Why these four and not the other 30, 40, 50 or whatever the number is?

**Mr Burmester**—The government made that commitment in response to some anomalies and priorities that had been brought to their attention. The need for self-accrediting universities or institutions to be on a level playing field was one aspect. To provide access to teaching for the Christian school sector was another one. They were the priorities that the government settled on and committed to in their election platform.

**Senator CARR**—We have heard evidence today that Tabor, for instance, has 19 postgraduate students and one is undertaking education postgraduate work. How could teaching be a criterion for that college?

**Mr Burmester**—Presumably that is a historical figure.

**Senator CARR**—Was it from last year? That is very historic.

**Mr Burmester**—It is based on past experience, not on how many people might avail themselves of the opportunity once they have access to PELS.

**Senator CARR**—Have you worked on the basis of projections of what you anticipate will be the numbers of students who will take up this offer?

**Mr Burmester**—Yes. The figuring for the budget anticipated 2,200 students taking out PELS loans for an extension.

**Senator CARR**—Could we have a copy of those projections—not the aggregate numbers, the assumptions on which those numbers were based?

**Mr Burmester**—Those figures provide the assumptions underpinning the budget figuring that goes into this measure. We could give you those assumptions.

**Senator CARR**—Thank you very much. You have allowed for 2,200 places. What do you think the total level of demand is in the sector as a whole? Clearly, 2,200 does not cater for all demand for PELS amongst private providers, does it?

**Mr Burmester**—No, Senator, that is a measure of our estimated number of students who would take it up in the four institutions if it was provided to those four institutions. It was based on the experience of the take up of PELS from other institutions—the same estimates we used for February.

**Senator CARR**—So you did a calculation based on what happens in the public sector. How many more students are out there, other than in those four institutions that have been named in this bill, that you think ought to take up PELS?

**Mr Burmester**—We have got preliminary figures—they have not been finalised—on the number of postgraduate enrolments in private institutions, but we have not estimated how many would apply for PELS because it was not within the commitment of the government.

**Senator CARR**—So you have no idea of the level of demand in the private sector?

**Mr Burmester**—No, we have not tried to assess that.

**Senator CARR**—Have you had a look at the effect of distance education on this measure?

**Mr Burmester**—In what regard, Senator?

**Senator CARR**—How many people who undertake distance education programs would take up this measure?

**Mr Burmester**—We looked at total enrolments. We did not try to identify the mode in which they were undertaking those studies.

**Senator CARR**—What is your estimate of the increase in fees that will flow from this measure?

**Mr Burmester**—There is no estimated increase of fees applying to our estimates.

**Senator CARR**—How do you account for the fee increases at the public institutions this year, as directly related to PELS?

**Mr Burmester**—I am not sure that they are directly related to PELS. That has been an assertion that has been made by other witnesses this morning.

**Senator CARR**—What is your evidence to contradict that assertion?

**Mr Burmester**—The point is that there is no evidence that directly links increases to the availability of PELS; you get that conclusion by partial analysis. It does not take into account the other aspects that are unknown in the equation; that is, because more people are taking up courses, whether the average cost of provision goes down or that there is a market operating out there and students can exercise choice. If one institution puts up its fees, they may take their business elsewhere.

**Senator CARR**—Mr Burmester, the former minister for education, Dr Kemp, acknowledged the impact of PELS that would see to an increase in the level of fees, and he indicated that the government may well have to consider measures to cap fee increases. Do you recall that?

**Mr Burmester**—Yes, that was part of the PELS arrangements and the announcement at the time that he could exercise his powers under the act to cap fees if that became an issue. But that was seen as a possible risk, not a certain outcome, and so far there have been some reports of fee increases but not generally across the whole of the sector.

**Senator CARR**—How many postgraduate students do you think there are in the private sector?

**Mr Burmester**—I am not sure we have added those up and extracted them. We could provide that on notice.

**Senator CARR**—If one of the officers could have a look at that it would be handy to know in terms of the questions that I am seeking answers to. Is that easily available?

**Mr Burmester**—What we have is some preliminary information from a study we undertook. Here we go, the information has been provided to me by somebody.

**Senator CROSSIN**—What about your own figures, Mr Burmester?

**Senator CARR**—I take it that these are their figures.

**Mr Burmester**—Yes, it was a joint study undertaken by the department and the private sector to establish these figures. I have not seen the table, so I might not be able to extract the right figure.

**Senator CARR**—What do you think? Are you able to tell me how many?

**Ms Fernandez**—If you will just give us a minute, Senator.

**Senator CARR**—Absolutely, I am happy to do that. I am interested in establishing what the potential demand is because, as we have heard from many other witnesses today, the likely implication is that this is a precedent. Mr Burmester, is there anything that you are aware of that would lead people to believe that this is in fact a precedent for other colleges to have access to PELS? Have there been any commitments given by the government?

**Mr Burmester**—No, there have been no further commitments other than to the four institutions. The wider issue of the role of private institutions has certainly been flagged as one of the issues for the crossroads report. But that goes beyond PELS and postgraduate studies; it goes to their role in the whole higher education sector. In terms of whether this sets a precedent, the bill is quite specific in creating a new table in which the students of institutions become eligible for PELS, and it would take a further amendment of the bill to add further institutions. So it is quite clear that the provisions are—

**Senator CARR**—I am interested in the criteria for the establishment of these particular institutions. In your judgment, was there any consideration of these courses in terms of the national protocols—the MCEETYA protocols?

**Mr Burmester**—The criteria that the government set down for the inclusion of the four institutions was that the courses that would be eligible were accredited courses. In the case of the self-accrediting institutions that meant that they were offered by those institutions. For the non-accrediting institutions, they would be ones that had been duly accredited by the appropriate state authority. The state authorities operate under the MCEETYA protocols.

**Senator CARR**—We are not talking here about accredited institutions, as such; we are talking about accredited courses.

**Mr Burmester**—That is correct.

**Senator CARR**—So we have two categories here: non-accrediting institutions and self-accrediting institutions. In the case of the non-accrediting institutions, what information did the department seek regarding the operations of the institutions?

**Mr Burmester**—The act itself provides for the minister to ensure that the provision of courses by those institutions meet certain standards. There are specific provisions. If they fail to meet those requirements, they can be revoked or the access to PELS can be revoked. Those provisions are set out in section—



**Senator CARR**—I am aware of that. We can probably cut this very short. I was asking you what information the department sought about the self-accrediting institutions?

**Mr Burmester**—We have established that the courses are duly accredited by the appropriate state bodies and that they remain accredited, that the institutions are financially viable and that they have not been in breach of any laws of the country.

**Senator CARR**—So, Mr Burmester, the department sought information on the finances of these institutions?

**Mr Burmester**—We sought assurances and evidence from the institutions that they were financially viable.

**Senator CARR**—What was the nature of the evidence?

**Mr Burmester**—Their financial statements.

**Senator CARR**—So a published financial statement?

**Mr Burmester**—The financial statements of the institutions. I am not sure whether they are published. If they are private companies, they would certainly be in the public domain.

**Senator CARR**—Do you think they are of the same standard as you would seek from a public institution?

**Mr Burmester**—All these institutions are established under appropriate parts of Corporations Law or organisation association law in their states, and all of them would have requirements to have independently audited accounts.

**Senator CARR**—Mr Burmester, that is not quite the same as the actions that you take with regard to a public institution, is it?

**Mr Burmester**—We do go to further matters of establishing the financial standing of other institutions, and we would seek to do the same with new institutions. Once the bill is passed, the minister would be writing to the institutions setting down the information that he requires to determine his powers under the act.

**Senator CARR**—But that has not been done yet?

**Mr Burmester**—No, until the act is passed, we cannot specify to those institutions what requirements we will put on them.

**Senator CARR**—What evidence did you rely on with regard to their enrolment policies, their equal opportunities policies and antidiscrimination policies?

**Mr Burmester**—The state accrediting authorities have informed us that they have met all the requirements of getting themselves and their courses accredited, and that would go to not only the academic standing of their courses but also other matters relating to access and conformance with state requirements in terms of discrimination and so forth.

**Senator CARR**—We know that, under state laws, they are exempt on religious grounds. You have told me that in answers to estimates questions.

**Mr Burmester**—They would be exempt from discrimination laws in the same way that other religious institutions are, to the extent that it would affect their operations as a religious body.

**Senator CARR**—Yes, that is right, but they are exempt. Ms Morahan, you actually handled the direct discussions with the states on these matters, didn't you?

**Ms Morahan**—Yes, Senator.

**Senator CARR**—In regard to the two non-accrediting institutions, I would like some information about the following courses: at the Christian Heritage College—the Graduate Certificate in Christian Education, the Master of Education, the postgraduate Master of Education (Inservice) and the Graduate Certificate in Marriage and Family Counselling; and, at Tabor College—the Graduate Certificate in Intercultural Studies, the Graduate Diploma in Ministry, the Graduate Diploma in Christian Counselling, the Graduate Diploma in Christian Studies, the Master of Ministry and the Doctor of Ministry. Were all of those courses consistent with the national protocols and the definitions, as outlined under the AQF?

**Ms Morahan**—I understand they were.

**Senator CARR**—How do you know that?

**Ms Fernandez**—Senator, they are listed on the AQF, the Australian qualifications framework. They are accredited courses.

**Senator CARR**—But are they consistent with the national protocols?

**Ms Fernandez**—They are courses accredited by the state accreditation authority, and I believe the MCEETYA protocols are being implemented by the state authorities.

**Mr Burmester**—And they are listed on the register that was created under those protocols.

**Senator CARR**—And they were consistent with the national protocols in all respects. Is that what you are saying to me?

**Mr Burmester**—They have been added to the register under the protocols by the relevant state authority.

**Senator CARR**—What checks were done on the state authorities' measures? Were any audit arrangements undertaken as to the processes by which the state authorities determined that registration?

**Ms Morahan**—The state and territory accrediting authorities are subject to audit through the Australian Universities Quality Agency, AUQA.

**Senator CARR**—When did that occur?

**Ms Morahan**—Senator, as you are aware, this is the first year that they are undertaking audits. The Queensland state accrediting authority was subject to trial audit last year.

**Senator CARR**—You know my argument on this ad nauseam.

**Ms Morahan**—Yes, Senator.

**Senator CARR**—Which of the authorities came forward and said that they were not doing a good job?

**Mr Burmester**—The report from the Queensland trial audit actually said that their processes and procedures were of a high quality. There were no questions about that. If that was found in the trial audit in one state then the others will be subjected to the same level of scrutiny and, over time, they will be assured. I have a comment in regard to part of that question. The state authorities accredit courses for a certain period of time so that it gives certainty to students who start a course that they can complete it. There is obviously good reason to do that. Most usually, it is for five years. So it is a rolling process of accrediting courses for a further five years.

**Senator CARR**—Mr Burmester, we all know the scheme. Queensland has had a trial audit. It has probably the best higher education state authority in the country—I put it to you that that is the presumption I will make—and the others do not come anywhere near it. In any event, you have undertaken no checks of the accrediting authority in South Australia. Is that true?

**Mr Burmester**—We have contacted the accrediting authorities in both Queensland and South Australia to determine the status of the courses and their current standing in the institutions. They are the competent authorities to make those decisions.

**Ms Morahan**—We have also obtained information on their accrediting processes, and we have had a look at that.

**Senator CARR**—And so you have satisfied yourselves that all these registrations meet the Commonwealth's criteria in all respects?

**Mr Burmester**—The Commonwealth's criteria are for accredited courses under the AQF and protocols.

**Senator CARR**—What do you think of the proposition that you have got states determining access to courses, which then automatically allows institutions to have access to Commonwealth funded programs? Do you see that there is a policy problem there?

**Mr Burmester**—I think that is a misunderstanding of the provisions of the bill. This goes to the provision of PELS, which is to allow access to students to have a loan for basically a fee-based sector of study, the postgraduate area. The funds are not support to an institution; they are support to students to undertake courses of their choice—some of which can now be done at four additional institutions. The Commonwealth assures itself that those students are taking courses that are duly accredited, and we have done that.

**Senator CARR**—I refer to answer No. E262 that you have given to me. I asked whether the department had carried out an examination of the power structures and so on of the academic decision making bodies of the private higher education providers—this is in relation to the ones mentioned. You know what your answer was, Mr Burmester? No.

**Mr Burmester**—That was a question that went to the whole sector rather than the four institutions, and we have done some work in the lead-up to the passage of the bill, in particular on the four institutions.

**Senator CARR**—I put it to you that that question actually related to these specific institutions, because I went on to ask: can you provide guarantees of the other 85 providers referred to in the relevant report? That is the one I have cited before. The answer again was no.

**Mr Burmester**—I would have to see the question and our answers. I do not have them with me.

**Senator CARR**—My proposition to you is that you have relied entirely on what they have been told in the states. According to this answer, you have not undertaken any independent check.

**Mr Burmester**—The national protocols are national protocols. They are agreements between various jurisdictions on who has the responsibility for particular matters. In the case of course accreditation or institutional accreditation, it is a state matter and we will accept the state accreditation authorities' word on the status of courses and the entries they put on the AQF register.

**Senator CARR**—All I can do is rely on the answers you have given me.

**Mr Burmester**—Yes, and I do not have the precise wording of the question or the precise answer we gave you but, in relation to these four institutions, we have established that they have been duly accredited by the competent authority.

**Senator CARR**—Last year in this country we were 70,000 student places short for teacher education, or was it 7,000? It was 7,000—my apologies. There were in fact 7,000 more people wanting to get access to education places to be trained as teachers than there were in fact places available. Has there been any consideration in the department as to the effective use of public moneys in that regard? Wouldn't it be a reasonable proposition that the department consider that those 7,000 people seeking places be funded before subsidies were issued to private institutions?

**Mr Burmester**—The provision of additional places in the fully funded area of higher education has completely different budgetary impacts than does PELS, and the government has engaged in a number of reviews, both in nursing and teacher education, to establish what its future policy might be. So there are national reviews going on in both those disciplines.

**Senator CARR**—But as far as you are concerned the Commonwealth profiles process is producing an appropriate mix of courses?

**Mr Burmester**—We also have joint planning committee meetings with our state colleagues, and a number of those have brought the matter of the state work force issues in both nursing and teaching to our attention. That will be one issue we are taking up with universities in this round of profile discussions.

**Senator CARR**—But you are able to actually indicate to the universities where the Commonwealth thinks the priorities should lie?

**Mr Burmester**—We do not set discipline targets for universities to meet. We allow the universities to determine their discipline mix, but in the process of profile discussions we can seek to find out and place emphasis on provision in those areas where there is obviously unmet demand. But it is not by direct intervention or regulation of the universities for their discipline mix.

**Senator CROSSIN**—Mr Burmester, I want to go back to something you said earlier when we asked you about why these four institutions and not others. You talked about priorities being anomalies and you mentioned something about access to teaching. Can you reiterate that sentiment?

**Mr Burmester**—I said that the government provided its commitments prior to the last election on the basis of its priorities, which went to alignment of the self-accrediting institutions and the provision of teacher education opportunities for the Christian school sector.

**Senator CROSSIN**—But what I am puzzled about is that, once you have completed your undergraduate course, that allows you in through the door of any primary or secondary school. You do not have to have a postgraduate qualification to teach. It is an optional extra. It is nice to get if you can afford it or if you have the time to do it if you are teaching. I do not understand then why this money was not directed towards the undergraduate and HECS component of these colleges as opposed to it going into PELS. PELS does not assist in getting more teachers into the classroom for these people. We heard before about people who ran the line that they had a Christian school and ideally they wanted teachers in front of their kids

who had come through a Christian teachers college. But PELS does not do that; PELS is attractive to students once they have gained that initial teaching qualification, so I do not understand the rationale behind your answer.

**Mr Burmester**—The government's commitment was strictly in terms of PELS to support postgraduate study. It did not go to the provision of teaching; IT went to a rather more limited field of postgraduate studies. In that, there are areas in the colleges that are mentioned that provide postgraduate opportunities for those students. That was then support for those postgraduate students. I think there would be a number who would be able to enhance their qualifications in the teaching area for the Christian school sector as a result of the measure. But that was not necessarily the only outcome from the measure. It went to the other two self-accrediting institutions.

**Senator CROSSIN**—So it is not specifically teacher education. It is enhancement of teacher education. That is the aim of this really, is that right?

**Mr Burmester**—That is right.

**Senator CROSSIN**—Which is a change from your original two explanations to us.

**Mr Burmester**—It is a change of emphasis, perhaps, that I did not clarify earlier.

**Senator CARR**—You had better clarify it for us because we are at a bit of a loss to understand this. What exactly is the criteria that has been applied for the selection of these four institutions?

**Mr Burmester**—The criteria were the commitments that the government gave in the run-up to the last election. It decided that these were the priority areas in regard to postgraduate studies that it would address.

**Senator CARR**—Political criteria.

**Mr Burmester**—They are the priorities or the commitments reflected in the government's election commitments.

**Senator CARR**—That is the only criteria that you are aware of?

**Mr Burmester**—I am not sure that I understand what you mean by criteria. It was the government policy—

**Senator CARR**—How the hell did they get on the list? That is the question that I want to get to.

**Mr Burmester**—The government's policy was not to set a number of criteria and then assess all potential candidates against that set of criteria.

**Senator CROSSIN**—Why not?

**Mr Burmester**—It was to provide and respond to the priorities as it saw it.

**Senator CROSSIN**—Why not, Mr Burmester? You have a crossroads document out there that goes to the extension of public funds to private institutions. That may or may not include PELS. I am also baffled as to why the government did not allow that debate to run its course—despite the outcome of that debate—and then seek to implement its election promise, say, next year, once that debate had been allowed. That debate may well say that PELS should be applied right across the board. What was the rush to introduce this measure in this act as opposed to leaving it until after the debate about the crossroads paper and its other discussion papers had been held?

**Mr Burmester**—That is a decision of the government taken in response to being returned after making a number of election commitments. It considered its election commitments and decided to implement this among others as part of its return to government. The broader issue of what the crossroads review will be looking at goes well beyond the provision of loans for postgraduate courses to the nature of where do private providers fit into the higher education sector and their possible access to subsidies, funded places, accountability requirements—the whole gamut of issues that we currently have in higher education. This is a measure that provides for the extension of loans to students who wish to take their undergraduate studies at four institutions.

**Senator CROSSIN**—Doesn't this measure also pre-empt some of the outcomes of that debate?

**Mr Burmester**—The postgraduate study sector is basically fee based already. The public institutions already have access to PELS for their students to undertake fee based postgraduate work. This extends that provision to four more institutions. I do not think it addresses the fundamental issue of the full role of private institutions in the higher education sector for the next decade.

**Senator CROSSIN**—It does in some regards, even if it is a minute or micro area, pre-empt some of the outcomes of the review, doesn't it?

**Mr Burmester**—To the extent that it addresses anomalies, it is good practice to do it when it becomes apparent that there are anomalies rather than necessarily waiting for a review that goes to much broader and deeper fundamental issues.

**Senator CROSSIN**—The anomalies in terms of self-accrediting universities only go two of these four. Does this not pre-empt some of the outcomes that may or may not occur as a result of the crossroads document?

**Mr Burmester**—I think it addresses a very narrow and particular issue, and the bill quite clearly makes that provision by including them in a separate table rather than including them under the other tables in HEFA. It is quite clear that this is about the extension of PELS to postgraduate course work in a sector that is already largely fee based in the public university system.

**Senator CROSSIN**—In only four institutions, though.

**Mr Burmester**—There are an additional four institutions.

**Senator CARR**—Do you have the figure for us?

**Ms Fernandez**—1,584.

**Senator CARR**—We have heard evidence today—and I am sure you would have heard it too, Mr Burmester—that the private providers are looking to extend this measure to those other institutions. Do you think it may be a total demand at this point—which of course will grow—of 1,500?

**Mr Burmester**—We have now got those figures, and it will be up to government to consider if they want to respond to that.

**Senator CARR**—In regard to the approval processes, you are entirely reliant upon what the states have told you. Is that the case?

**Mr Burmester**—Under the national protocols, the Commonwealth agrees that the states have a role in accreditation of institutions and courses. They are the competent authority. They are audited by the national audit authority, and we accept that basis.

**Senator CARR**—We have got only one. When I commented to you that the Queensland department was the best of the states, I was not actually commenting on the processes for accreditation of these institutions. You said that is the only audit that has been done of these processes.

**Mr Burmester**—So far, but all of them are subject to audit.

**Senator CARR**—So they have not been audited?

**Mr Burmester**—They are all subject to audit, and they have agreed to a set of national protocols. I believe that they would be ensuring that they meet the requirements of those protocols.

**Senator CARR**—We have heard evidence today that the protocols are actually being modified and they are in the process of being implemented with regard to the separation of approval of courses and institutions. Is that correct?

**Mr Burmester**—I am not sure what you mean by the separation.

**Senator CARR**—The process at the moment is a bit vague as to whether or not institutions—

**Mr Burmester**—If they are a self-accrediting institution, the institution is audited directly by AUQA.

**Senator CARR**—Did you say they will eventually be audited?

**Mr Burmester**—They will be subject to audit.

**Senator CARR**—They have not been audited so far, have they?

**Mr Burmester**—No, it is not possible to audit everyone instantaneously. They are subject to audit requirements and will be subject to a particular audit. The process by which non-accrediting agencies are accredited and their courses are accredited through the state authorities is then subject to the same audit process by AUQA.

**Senator CARR**—Will be subject to?

**Mr Burmester**—No, they are subject to audit. They may not have necessarily undertaken the audit but they are subject to audit.

**Senator CARR**—I just wanted to be clear about this. The trial audit has been done in Queensland. Do you think it was done any more successfully than the trial audit at the University of New South Wales?

**Mr Burmester**—They were both trial audits. In the case of the Queensland one, I think they found that the practice of the Queensland authority was appropriate and satisfactory and that their processes had established that on a rigorous basis and therefore they would be using those processes in the future.

**Senator CARR**—So, just to be clear about this, the process actually involves the person or the group being audited telling the authority what is happening, not independently investigating what is actually going on? Is that the case?

**Mr Burmester**—Any audit process, whether it is a financial audit or a quality audit, relies on the information provided by the person who undertook the action in the first place. The audit is having a look at the processes that were applied. So, to some extent, it will rely on the information provided by the person being audited. But, equally, there is an evidence requirement. The auditor would need to be satisfied that the claims made by the person being audited were reasonable, were backed up and could be demonstrated to be true and accurate.

**Senator CARR**—Given the critical nature of this—and you are placing great emphasis on the audit—how come we had the circumstances at the University of New South Wales; that is, that the agency did not know all of these quite extraordinary things were happening? How come that occurred?

**Mr Burmester**—I think we have been through this discussion as well in the estimates committee. That was a trial audit, and AUQA have indicated that, as a result of their experience, they have amended their processes in and approach to audits of universities. They believe they now have a process that will mean they have a better and more rigorous outcome.

**Senator CARR**—How will the amendments affect the audits of state governments?

**Mr Burmester**—There are two audit processes: one of the state governments and one of the institutions. The ones of the state authorities have been trialed in Queensland. They have been found to be satisfactory and they will be utilised by the agency. However, I would not say that the agency would not learn from one sector to the other. When auditing a university it might learn stuff that it wants to apply to a state authority.

**Senator CARR**—Thank you, Mr Burmester.

**CHAIR**—I thank the witnesses for appearing. That concludes the hearings on this bill.

**Committee adjourned at 3.48 p.m.**