Universities Australia Submission to Senate Economics Legislation Committee on the Budget Savings (Omnibus) Bill 2016

7 September 2016

Universities Australia welcomes the opportunity to provide a submission in relation to the *Budget Savings (Omnibus) Bill 2016*.

Universities Australia does not oppose the moderate reduction in the minimum repayment income for HELP debts, with lower repayment rates below existing threshold (Schedule 1), aimed at assuring the viability and sustainably of HELP scheme. We also do not oppose the removal of HECS-HELP benefit (Schedule 3) given its limited success in influencing study choice selection and increasing demand for particular occupations.

However, Universities Australia has some concerns on the following three schedules of the Bill.

Schedule 2 – Indexation of higher education support amounts

Schedule 2 of the Bill replaces the current Higher Education Grants Index (HEGI) with the Consumer Price Index (CPI), which will be used from 1 January 2018 to index all grants under the *Higher Education Support Act 2003*. This change will alter the amount of funding provided to universities, including the Commonwealth Grants Scheme (CGS), maximum student contributions amounts, research block grants and equity funding.

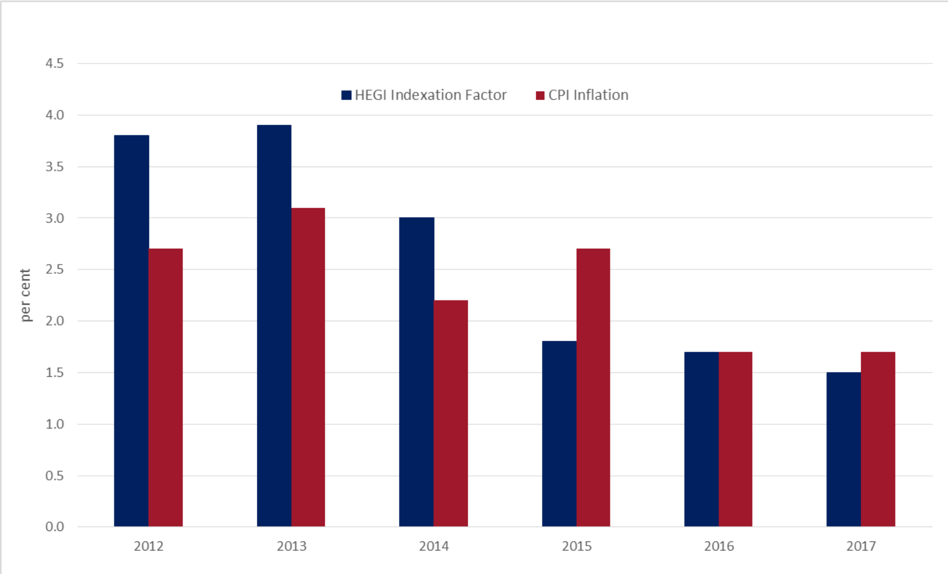
The Government expects the change in indexation arrangements from the existing HEGI to the CPI to reduce funding to the university sector by around $54.6 million over two years from 2018–19. This would be a further blow to the sector, which has experienced funding cuts amounting to around $1 billion a year since 2013–14.

The current HEGI was announced by the previous Labor Government in the 2009–10 Budget, after years of campaigning by universities. It was a key recommendation of the 2008 *Bradley Review of Australian Higher Education*. The HEGI is aimed squarely at covering university costs, which do not move in lock step with the CPI. In some years the HEGI will be higher than CPI, others lower.

The indexation is calculated based primarily on movements in the Wage Price Index for Professional Scientific and Technical Services (PSTS), which accounts for 75 per cent of the index. The remaining 25 per cent of the index is based on the CPI. The change was implemented over a period of four years, with all Higher Education Support Act (HESA) grants being indexed by HEGI in the 2012–13 Budget.

It is evident from Figure 1 that the HEGI Indexation Factor has been higher than CPI inflation between 2012 and 2014. However, it was lower than CPI inflation in 2015 and 2016, amid a softening in Australian labour market and declining wage growth. As such, it is difficult to predict how a change in indexation will play out over the medium term.

Figure 1: HEGI Indexation factor and growth in CPI



Source: Department of Education and Training 2016, *Universities Payment Information System*.

Increased funding to universities under the current indexation arrangement has ensured that real funding provided for teaching, scholarship and research has not been eroded over time and reflects the real costs of delivering quality university education and research. The HEGI also includes a built-in 10 per cent discount on the PSTS in the current calculation, which encourages universities to continue to pursue productive gains and maximise the benefit of funding.

Universities Australia recognises that both major parties have indicated support for this measure and thus it is likely to pass. As such, we recommend that the indexation arrangement applied to all grants funded under HESA be reviewed in three years, so the full impact of the change to CPI can be fully assessed. This will ensure that Government has a detailed understanding of the indexation arrangement in place, and can determine whether it appropriately reflects the cost of providing a quality higher education system.

Schedule 5 – Australian Renewable Energy Agency's (ARENA) finances

Schedule 5 of the Bill reduces funding available for ARENA by over $1 billion over the forward estimates, in line with the 2016–17 Budget.

ARENA was established in 2012 to improve the competitiveness of renewable energy technologies and increase the supply of renewable energy in Australia. ARENA's investments cover projects in all phases of commercialisation, from research and development to near-commercial deployment.

Universities Australia is concerned about the potential impact these cuts may have on world-leading university research into renewable energy technology. These programs make significant contributions to Australia, not only in terms of technological developments, but also in relation to economic benefit through world-wide sales.

Universities Australia strongly suggests further consideration be given to the impact of these cuts on university research programs, including modelling on the lost economic benefits if the programs were to cease.

Schedule 11 – Student Start-up scholarships

Schedule 11 of the Bill repeals the student start-up scholarship payment, from 1 July 2017, or the 1 January or 1 July after Royal Assent after this date. This measure ends the grandfathering arrangements that cover students who were in receipt of the Scholarship before it was replaced by the Student Start-up Loan Scheme.

The Scholarship, which was paid to all students in receipt of Youth Allowance, Austudy or ABSTUDY payments, was aimed at assisting financially less advantaged students with the upfront costs of attending university such as purchasing text books and course equipment. It was automatically paid in lump sum amounts twice yearly to qualifying students.

The Scholarship scheme was closed to new entrants in January this year and replaced with the Student Start-up Loan. The Loan aims to fulfil the same purpose, but is added to a student's HECS-HELP debt for repayment. Students also must actively apply for the Loan within the required timeframe. Students who don't apply—or don't know they have to apply— don't get the loan, even if they meet all the eligibility requirements.

Students already in receipt of the Scholarship at the end of 2015 were safeguarded under grandfathering arrangements, which would ensure their payments continued until they graduated, or no longer qualified for payments.

However, the measure in this Bill ends the grandfathering arrangements at 1 July 2017, potentially affecting 80,000 students.

The savings for this measure are estimated at $298.1 million over three years from 2017–18.

Universities Australia is concerned about the potential negative impact on these students, who expected to receive continuing support under the grandfathering arrangements and who may not be aware of the requirement to apply for the Loan and as such will miss out. Universities Australia considers this measure to be contrary to the intent of the legislation establishing the Loan scheme, which specifically included the grandfathering arrangements to protect students already in receipt of the Scholarship payments.

It is also widely acknowledged that the costs associated with university study (such as living costs, textbooks, internet access and so on) often have a greater negative impact on a student's ability to succeed in higher education than course costs covered by HELP. While the Scholarship scheme is already closed to new entrants, Universities Australia believes removing the grandfathering arrangements unfairly affects students already in receipt of the payments, and as such this measure should be opposed.