Australian Research Council Amendment Bill 2013

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Law and Bills Digest Section

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Date introduced: 14 November 2013
House: House of Representatives
Portfolio: Education
Commencement: The Act commences on the day after Royal Assent.

Links: The links to the Bill, its Explanatory Memorandum and second reading speech can be found on the Bill’s home page, or through http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation

When Bills have been passed and have received Royal Assent, they become Acts, which can be found at the ComLaw website at http://www.comlaw.gov.au/.
Purpose of the Bill
The purpose of the Australian Research Council Amendment Bill 2013 (the Bill) is to amend the Australian Research Council Act 2001 (the Act) to apply indexation to appropriation figures already set out in the Act and to add a figure for the last year of the forward budget estimates for the financial year commencing on 1 July 2016.¹

Background
The Act is administered by the Education portfolio. The Australian Research Council (ARC) is a statutory authority that advises the Government on research matters, manages the National Competitive Grants Programs (NCGP), a significant component of Australia’s investment in research and development, and has responsibility for the Excellence in Research for Australia (ERA) initiative.²

The Act sets out the maximum amount of funding that can be provided to approved research programs in each financial year. Currently the latest year referred to in the Act is the 2015–16 financial year. The Bill will increase the funding cap for the financial years commencing on 1 July 2013, 2014 and 2015 by the application of an indexation formula. The Bill also inserts the funding cap for the financial year commencing 1 July 2016. The funding caps are indexed yearly to maintain the value of base funding for approved research programs.

Bradley Review 2008
The Bradley Review was established to ‘examine the current state of the Australian higher education system against international best practice. It was asked to explore the future direction of the sector, its capacity to meet the needs of the Australian community and economy, and the options for ongoing reform’.³ One of the recommendations of the Bradley Review was:

That the Australian Government maintain the future value of increased base funding for higher education by an indexation formula that is based on 90 per cent of the Labour Price Index (Professional) plus the Consumer Price Index with weightings of 75 per cent and 25 per cent respectively.⁴

The Bills Digest to the Higher Education Support Amendment (Indexation) Bill 2010 noted:

Although the Government rejected an increase to base funding it did accept the recommendation for a revised indexation formula and proposes indexing base funding under the new formula from 2012.

As the Labour Price Index (Professional) recommended in the Bradley review has been discontinued, the Government proposes using the Professional, Scientific and Technical Services (PSTS) labour price index (discounted by 10 per cent). The PSTS will replace the Safety Net Adjustment which makes up 75 per cent of the index. The remaining 25 per cent of the index will continue to be the Consumer Price Index. The Government estimates that the ‘new index will be around 1.8 percentage points higher than the existing index’; will better reflect professional salary movements and maintain ‘the real value of the Commonwealth’s funding and student contributions’.⁵

The Higher Education Support Amendment (Indexation) Act 2010 implemented the recommendation of the Bradley Review in relation to indexation.⁶ The index number is defined in section 198-20 of the Higher Education Support Act 2003.⁷

This revised indexation formula is applied to research funding administered by the Australian Research Council.

Committee consideration
At the time of writing this Digest, the Bill has not been considered by any Committee.
Financial implications

The Explanatory Memorandum notes that:

The amendments in the Bill result in altering three existing financial year funding figures and extend the forward estimates period to 2016-17, resulting in additional spending of $814.876 million.

This Bill updates the special appropriation funding cap administered by the Australian Research Council to include policy approvals, indexation adjustments and an additional forward estimate for existing schemes within the National Competitive Grants Program. Indexation adjustments and adding the last year of the forward estimate are part of the standard budget process and are administrative in nature.

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Current Appropriation Cap</th>
<th>Proposed Appropriation Cap in Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 July 2013</td>
<td>857,364,000</td>
<td>883,959,000</td>
</tr>
<tr>
<td>1 July 2014</td>
<td>798,653,000</td>
<td>853,110,000</td>
</tr>
<tr>
<td>1 July 2015</td>
<td>765,634,000</td>
<td>783,253,000</td>
</tr>
<tr>
<td>1 July 2016</td>
<td>—</td>
<td>716,205,000</td>
</tr>
</tbody>
</table>

Statement of Compatibility with Human Rights

As required under Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011 (Cth), the Government has assessed the Bill’s compatibility with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of that Act. The Government considers that the Bill is compatible with human rights as it does not engage any of the applicable rights or freedoms.

Key issues and provisions

Section 48 of the Act sets out the years for which financial assistance is provided for approved research programs. As new financial years approach, a funding cap for that year is added to the list. Item 1 of the Bill adds a reference in subsection 48(2) of the Act to the financial year starting 1 July 2016.

Section 49 of the Act sets out the maximum amount of research funding that can be provided in each financial year. Item 2 of the Bill repeals paragraphs 49(n), (o) and (p) of the Act and substitutes new paragraphs 49(n), (o) and (p) which contain the indexed figures for the financial years beginning on 1 July 2013, 2014 and 2015. New paragraph 49(q) sets out the funding cap for the financial year commencing 1 July 2016. The proposed appropriation caps are compared with the current appropriation caps in the table above.

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9. The Statement of Compatibility with Human Rights can be found at page 3-4 of the Explanatory Memorandum to the Bill, op. cit.