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Australian Research Council Amendment Bill 2011

Date introduced: 23 November 2011
House: House of Representatives
Portfolio: Innovation, Industry, Science and Research
Commencement: The Act will commence on 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/bills/. 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

The purpose of the Australian Research Council Amendment Bill 2011 is to amend the Australian Research Council Act 2001 by adjusting the existing funding caps (2011-13) and inserting a new funding cap for the 2014 financial year.

Background

This Bill applies indexation to the current funding caps for the financial years commencing 2011 to 2013. The Bill also creates an additional funding cap for the financial year commencing 2014.

Basis of policy commitment

The Australian Research Council Amendment Bill 2011 is an appropriation Bill. It indexes the existing appropriation caps that appear in section 49 of the Australian Research Council Act 2001. A special appropriation is defined as:

- a provision within an Act that provides authority to spend money for particular purposes, for example, to finance a particular project or to make social security payments. Special appropriations account for around three quarters of all government expenditure each year, and
- ‘a special appropriation is included in a specific Act when it is desired to provide a payment where an entitlement exists, or a payment of a specified amount separately identified from an annual appropriation Bill. Some special appropriations state a maximum amount that is appropriated for the particular purpose. They can be referred to as being ‘limited by amount’.

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Others do not state a maximum amount but the payment amount has to be calculated according to legislative criteria that will determine the amount to be paid.\(^1\)

**Australian Research Council and the National Competitive Grants Program**

The Australian Research Council (ARC) is a statutory authority within the Industry, Innovation, Science, Research and Tertiary Education portfolio. It advises the Government on research matters and manages the National Competitive Grants Program (NCGP) which it describes as ‘a significant component of Australia’s investment in research and development’.\(^1\) According to the ARC’s website, the NCGP program is intended to enable the ARC to support ‘the highest-quality fundamental and applied research and research training through national competition across all disciplines with the exception of clinical medicine and dentistry’.\(^2\)

The ARC’s funding under the provisions of the ARC Act (Division 1) goes towards research under the National Competitive Grants Program. The program aims to nurture the creative abilities and skills of Australia’s most promising researchers.\(^3\) The program is structured to provide:

- support for the highest-quality research leading to the discovery of new ideas and the advancement of knowledge
- financial assistance towards facilities and equipment that researchers need to be internationally competitive
- support for the training and skills development of the next generation of researchers, and
- incentives for Australia’s most talented researchers to work in partnership with leading researchers throughout the national innovation system and internationally, and to form alliances with Australian industry.\(^4\)

**Higher Education Indexation Factor**

The Higher Education Indexation Factor is the indexation factor used in the higher education sector. It is used to index the appropriation amounts in the *Australian Research Council Act 2001* each year and thus applies to the funding caps amended in this Bill. The formula used to calculate the indexation factor was amended in 2010 as a result of recommendations made in the Bradley Review.\(^5\) The *Higher Education Support Amendment (Indexation) Act 2010* implemented the

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4. Ibid.

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recommendation in relation indexation. The Bills Digest to the Higher Education Support Amendment (Indexation) Bill 2010 noted the following:

Among the review’s 46 recommendations was a recommendation to ‘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’.

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 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’.

Committee consideration

Senate Selection of Bills Committee

The Senate Selection of Bills Committee resolved at its meeting on 24 November 2011 not to refer the Bill to a Committee.

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Financial implications

The Explanatory Memorandum notes that ‘the amendments alter three existing financial year funding figures and extend the forward estimates period to 2014-15, resulting in additional spending of $885 335 million’.

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Current Appropriation Amount</th>
<th>Proposed Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 July 2011</td>
<td>$783 507 000</td>
<td>$810 172 000</td>
</tr>
<tr>
<td>1 July 2012</td>
<td>$817 886 000</td>
<td>$849 001 000</td>
</tr>
<tr>
<td>1 July 2013</td>
<td>$795 613 000</td>
<td>$827 775 000</td>
</tr>
<tr>
<td>1 July 2014</td>
<td>Forward estimate for 2014-15</td>
<td>$795 392 000</td>
</tr>
</tbody>
</table>

Key provisions

Item 1 introduces the 2014 financial year to Division 1 of the ARC Act. Division 1 relates to financial assistance for approved research programs.

Item 2 adjusts the funding caps for the financial years 2011-13 and inserts a new funding cap for the financial year 2014.

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