An infrastructure budget

THE 2008-09 BUDGET FAVOURS FISCAL RESTRAINT TO FIGHT INFLATION AND FUNDS LABOR’S ELECTION PROMISES IN THREE BIG NEW INFRASTRUCTURE FUNDS. STEVE HOLDEN REPORTS.

Commonwealth Treasurer Wayne Swan delivered the 2008-09 Budget, his first, in May, announcing $5.3 billion in new spending for 2008-09, a modest outlay, considering the Commonwealth government found savings of $7.3 billion, increasing its surplus by $2 billion. That saving, plus a $5.4 billion tax windfall, meant the government’s forecast $14.3 billion surplus jumped to $21.7 billion.

Swan’s Budget will put that massive surplus into three new or renamed funds – a bigger Higher Education Endowment Fund (HEEF), renamed the Education Investment Fund (EIF), which gets an additional $5 billion, taking it to $11 billion, a new Building Australia Fund (BAF) to invest in road, rail, ports and broadband infrastructure, worth $20 billion over two years, and a Health and Hospital Fund (HHF), which used to be called the Health and Medical Investment Fund with $2.5 billion, which gets $10 billion extra. Like the EIF, the two new funds, which will be established in early 2009, will be managed by the existing Future Fund Management Agency when the HEEF is closed and its funds are subsumed into the EIF.

Unlike the HEEF, established by the Howard government, the EIF will be used for capital expenditure in vocational institutions, research facilities and major research institutions as well as universities. While the HEEF restricted spending to interest earned from funds, the EIF will enable uncapped yearly allocations.

The Budget also provides $500 million in 2007-08 for higher education institutions to undertake capital projects to support improved teaching and learning, and research, with priority areas identified as information and communication technology, laboratories, libraries, and teaching and student study spaces.

In schools, the Budget allocates $1.2 billion over five years to roll out the Commonwealth government’s Digital Education Revolution – that’s $200 million more than the $1 billion election promise – with $32.6 million to be spent over two years to supply students and teachers with tools and resources to support online education, and an additional $200 million in 2011-12 to support the National Secondary School Computer Fund beyond the initial four-year funding period.

A total of $1.7 billion will be spent on maintenance and infrastructure in schools over four years, with $457 million for this financial year, while $2.5 billion over the next 10 years goes to the Trades Training Centres in Schools program.

The Budget provides $533.5 million over five years for universal access to early childhood education, as well as $126.6 million over four years to train and retain a high-quality early education workforce by providing incentives to improve the qualifications of child-care workers and to support more early childhood teachers.

The Budget also includes $114 million to improve educational outcomes and opportunities for Indigenous students, building on the $98.8 million investment over five years to provide 200 additional teachers in the Northern Territory over the 2007-08 to 2011-12 period announced earlier this year.

Down in the detail of Budget statements from the Department of Education, Employment and Workplace Relations (DEEWR), funding for Teaching Australia will be reduced by $2.6 million to $3.9 million through a funding agreement with DEEWR for 2008-09, and the role, governance and consultative arrangements of Teaching Australia will be reviewed. According to the DEEWR statement, that review will address the governance, integration and policy alignment of the strategies and programs being pursued by Teaching Australia.

Reference to consultative arrangements, integration and policy alignment appears to suggest the review will be conducted with the various state teacher registration or accreditation authorities in mind, not least because federal-state cooperation is a priority for Prime Minister Kevin Rudd.

Both Swan and Deputy Prime Minister Julia Gillard, who’s also Minister for Education, Employment and Workplace Relations, have flagged the importance of federal-state cooperation.

Swan emphasised federal-state cooperation in his Budget speech. ‘Where funds are used to finance capital projects with the states, they will be distributed to the states from the three new funds (the EIF, BAF and HHF) through a new Council of Australian Governments (COAG) Reform Fund,’ he said.

The COAG Reform Fund gives the states plenty of reason to cooperate by distributing funding provided in future budgets to the states for recurrent expenditure through new National Partnership payments.

Gillard also referred pointedly to cooperation, saying that COAG, the Ministerial Council on Education, Employment, Training and Youth Affairs and the Ministerial Council for Vocational and Technical Education had begun ‘a new era of collaboration between Commonwealth, state and territory education and training ministers.’
Testing times

Deputy Prime Minister and Minister for Education, Employment and Workplace Relations Julia Gillard, speaking with ABC Radio’s Madonna King, has admitted that results from May’s national numeracy and literacy tests of one million students in 9,000 schools will not be published in national school ‘league tables.’ ‘At this stage what parents are going to get is their own report card,’ Gillard said. ‘We’re talking to state and territory governments about the best use of this information.’

The position espoused by Labor in its election policy on numeracy and literacy testing, published in November 2007 in a policy document called Federal Labor’s Commitment To Lift School Standards attributed to the then Leader of the Opposition Kevin Rudd and then Opposition spokesperson on education Stephen Smith, promised that, ‘A Rudd Labor government will publish the annual results of individual primary and secondary schools on national reading, writing and numeracy assessments for students in Grades 3, 5, 7 and 9.

‘This will be done in a comprehensive way, including socioeconomic analyses and trend line improvements in decline in like schools over a period of time.

‘Publication of school performance information will form an integral part of Federal Labor’s plan to improve literacy and numeracy and our drive to lift school retention rates from 75 per cent to 80 per cent in 2015 and 90 per cent by 2020.

‘There’s a problem for the Commonwealth government in making good on its promise, and the problem goes back to Section 51 of the Australian Constitution. Responsibility for education is a ‘residual power’ that remains with Australia’s states and territories. That means responsibility for the use of educational data from national numeracy and literacy tests remains with the states and territories, and Gillard’s job now is to persuade them, as Federal Labor’s Commitment To Lift School Standards put it, that, ‘Comparing the performance of schools allows us to judge how well our education system is performing. There is no better or more transparent way to make the case for additional support for those schools which are falling behind than making the performance of all schools public.’

ABC Learning sells US subsidiary

ABC Learning finally agreed in April to sell its 60 per cent stake in the Learning Care Group, its United States subsidiary, to Morgan Stanley Private Equity. The transaction values 100 per cent of Learning Care Group at US$700 million – about $75m lower than ABC Learning had wanted. The deal, which sharemarket analyst Sven Restel from wise-owl.com described as a fire sale, will enable ABC Learning to reduce its net debt of US$1 billion by about $450 million.

Learning Care Group operates 1,150 corporate and franchise schools in 37 states and is the second largest for-profit childcare provider in the US. Morgan Stanley Private Equity co-head Steve Trevor described the deal as ‘compelling.’ Shares in ABC Learning rose 59 cents to $1.95 following the announcement of the sale to Morgan Stanley Private Equity on 22 April, but fell back 47 cents on 23 April to close at $1.51.

The fallout? ABC Learning’s chairman, Sallyanne Atkinson, chief financial officer, James Black, and directors, Bill Bessemer and Martin Kemp, have gone, but founder Eddy Groves is hanging on. As he put it, ‘I’ve got a few holes in my pants, but I’ve still got my pants on.’