

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2003–04 budget estimates

Melbourne–16 May 2003

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Ms L. Kosky, Minister for Education and Training;

Mr G. Hehir, Secretary; and

Ms J. Samms, Director, Office of Portfolio Integration, Department of Education and Training.

The CHAIR— Good morning and welcome. I declare open the Public Accounts and Estimates Committee hearing on the budget estimates for the education and training portfolio. I welcome the Honourable Lynne Kosky, Minister for Education and Training; Mr Grant Hehir, Secretary of the Department of Education and Training; Ms Jenny Samms, director of the Office of Portfolio Integration; departmental officers; members of the public; and the media.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committee Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript early next week.

Minister, after you have completed your presentation we will have 2 hours and 50 minutes for questions. We will take a break in the middle of that time. Over to you.

Ms KOSKY — Thank you very much. I will try to move through this presentation fairly quickly, and return to issues if members wish. I know you have already been presented with a breakdown of responsibilities between the Minister for Education Services, Jacinta Allan, and myself, so I will not go through that again today.

Overheads shown.

Ms KOSKY — My presentation will focus on three areas: firstly, the context of the work of education and training and the portfolio; secondly, the Victorian government's approach to education and training; and thirdly, the 2003–04 Victorian budget.

In terms of the context of education and training, I do not think anyone around the table needs to be convinced about the importance of education and training, both economically and socially so I will not go through that, but in Victoria we are focusing on some particular challenges. The first is boosting the participation levels and outcomes across all parts of the system. The second is improving the performance of groups who have traditionally suffered educational disadvantages. Thirdly, we are improving the quality and flexibility of the work force in all areas of education and training. And fourthly, we are improving the accountability frameworks that we have put in place to ensure we are meeting the community's expectations, both at a statewide and local community level.

The key elements of our approach include: education as the government's no. 1 priority — and I think that has been said on many occasions, but we are committed obviously to education and training. We established goals and targets for education and training, which is really our assessment regime. That is what we want to be assessed against as a government. We have made significant investment in successive budgets for education and training, and the most recent budget is again indicative of that, but we also had a robust election policy platform which further commits us in the areas of education and training to ensure that it is high quality.

I will not run through the government's goals and targets for education and training, they are in the handouts and on the screen. They are essentially focused on literacy and numeracy, and improving year 12 completion or its equivalent; also picking up on the disparity between regional and rural Victoria and metropolitan Melbourne in terms of educational attainment.

The targets are on the next slide, and they are very specific about what we want to achieve and by what date. Running through the school system, the portfolio covers school education, training and further education, apprenticeship and traineeship places, and adult and community education. In relation to universities, as you are probably aware, I have responsibility for planning, coordinating and monitoring the provision of higher education in Victoria, but not the funding responsibilities or the monitoring of funding.

There were, in 2002, 1625 government schools, a further 701 non-government schools — 489 in the Catholic system and 212 independent or community schools. It is probably worth noting that over 536 000 students were enrolled in Victorian government schools, and the government sector has a share of around 66 per cent of the education or school market.

There are four different types of tertiary education providers: 14 TAFE institutes; 5 dual-sector institutes — TAFE divisions within universities; over 1000 private training providers; over 450 adult and community education (ACE) organisations, and 9 universities. The training system delivered in 2002 more than 110 million student contact hours to more than 595 000 students so it is very large. Of these, 82.8 million hours were government-funded training, and as at 31 December last year we had almost 143 000 apprentices and trainees in training. That is a record for Victoria and Australia.

We are making progress towards achieving the targets. I will not run through this in detail — members can come back to it if they wish — but in relation to reading and numeracy, years 3 and 5, the 2001 figures were released in the 2003–04 budget papers. Year 12 or equivalent completion was 82.4 per cent in 2002, and that was up from 80 per cent in 1999, so we are showing real progress there, and that compared to a national average of 79.8 per cent; we are doing well against the national average.

In terms of rural and regional participation, where we need to make significant gains, the participation in the education and training of young people in the 15 to 19 years cohort is increasing in rural and regional Victoria, but we still need to do a lot more, particularly in relation to year 12 completion or its equivalent for regional and rural Victoria.

Some other positive signs of progress — average size of prep to year 2 classes is now at 21, which was our commitment. More students are staying on at schools and completing year 12; we had more young people per capita engaged in full-time education and training or full-time employment than anywhere else in Australia in 2002. We have significant investment and participation in the vocational education and training (VET) and Victorian certificate of education (VCE) programs. We have put, since coming to office, more than \$3.69 billion back into education, which includes the last budget; more than \$2.73 billion into output initiatives; and the four government budgets have allocated approximately \$960 million to TAFE and school capital improvements.

Moving forward, our approach in the 2002 election policy framework, and what we will be delivering on over the next four years is very much about raising education standards for all children, providing resources to meet educational needs, investing in the teaching profession, providing better facilities in schools, building stronger school communities, developing curriculum to meet the needs of tomorrow, developing a wider range of options for lifelong learning, and promoting innovation and excellence through the education system.

On an overview of the 2003–04 budget, the total output budget for the Department of Education and Training is \$6258.4 million, so it is a very large budget. Within the school education output the major elements are government school education, which is \$4427.3 million. Non-government school education is \$313.5 million, and services to students with disabilities and impairments is \$287.9 million.

Other major service delivery areas are TAFE places, and we have an expected output cost in the 2003–04 year of \$984.2 million, and ACE places — \$33.9 million. The key themes of the 2003-04 budget are really about investment in excellence as well as in access. We are ensuring that we expand the innovation and excellence within our school system as well as making sure that those individual students and groups of students who have traditionally missed out get picked out.

There are quite a number of programs there which I am happy to go into in detail at a later stage if you want. I will focus on two programs. We have put in 450 teachers to support excellence within our schools. They will be rolled out over the next four years. We have also put 256 effective full-time welfare officers in our primary schools. We have had a focus on excellence in languages other than English and on further developing the teaching of those languages in rural and regional Victoria. We are improving pathways for post-compulsory students and expanding the provision of training and upgrading learning environments.

I will run through that very quickly because I am mindful of the time. I will mention a couple of programs in the TAFE, ACE and higher-education areas. The Skill Up program is focused on people who may be in companies that are downsizing or who have been retrenched. My colleague Jacinta Allan will talk about the parents return to work program in more detail this afternoon. There is also the completion bonus to eligible employers with apprentices or trainees aged under 25 years who complete their qualifications.

I will focus on a couple of points. There is the reform and demand strategy mentioned in the budget. Basically that is about sorting out our budget base. Every few years there are additional stressors on the education system as there are in other departments, so there has been a readjustment of the base putting in a number of elements that have been one-off or have been added to the budget in the past. Now they have gone into the base. They include enrolment growth, which has now been put into the base going forward. They include issues such as copyright and legal licences and leases. We have had a re-evaluation of asset base. There is \$137 million for upgrading the learning environments or capital. I am happy to go into detail if you wish. I am now happy to hand over to you, Chair. I have provided the overview, but I am happy to hand over to you for questions.

The CHAIR — First of all, thank you for your very comprehensive overview and the overheads. Congratulations on meeting your first performance indicators and sticking to the 10 minutes!

Ms KOSKY — Thank you very much. Can I go now?

Mr FORWOOD — Only if we can come.

The CHAIR — Can I take you to page 27 of budget paper 3 which relates to primary education outputs and in particular to the measure on class sizes for years prep to 2? Is the government satisfied with the current average class sizes for years prep to 2?

Ms KOSKY — Certainly we are very happy with the average class sizes in prep to 2. I should put that in context. We made a commitment when we came into government in 1999 to reduce class sizes to an average of 21 in years prep to 2. The reason was not because we like small class sizes but to focus on literacy and numeracy results, particularly in those early and formative years where children have to develop those skills. If they develop them well it has a very positive impact on further educational opportunities at a later stage. All of the research points to the focus in smaller class sizes being on those early years.

We have made a major investment in our prep to 2 class sizes. We have put in significant numbers of additional teachers. We have put in \$43.3 million to fund additional teachers in that area. We have also put in extra money for capital because you need more physical facilities. We have phased that in and met that target ahead of time. We now have average prep to 2 class sizes at 21 at the beginning of this year. That is down from 24.3 in 1999. It is worth mentioning that it has not been at the expense of other parts of the primary schools. If you look at the average primary class size now it is down at 22.9 compared to 25.4 in 1999.

In years 3 to 6 the class size average is down from 26.2 in 1999 to 24.3. We have also reduced significantly the significant number of large class sizes that existed in primary schools previously. We have reduced that dramatically. It is worth mentioning that it is having an impact on the literacy and numeracy results. Prep students' reading has increased from 66.2 per cent in 1999 to 75.9 per cent in 2002.

The CHAIR — That is a percentage of the national — —

Ms KOSKY — It has increased by that percentage, so they sit at text level 5 at that age. Please do not ask me details of that. Year 1 students' reading at text level 15 has increased 8.1 percentage points, so that is the average percentage of the number of students who are performing at that level. That has increased from 76.4 per cent in 1999 to 84.5 per cent in 2002. For year 2 students at text level 20, which is the expected level, that has increased from 90.3 per cent in 1999 to 94.6 per cent in 2002. We do not have similar assessment for numeracy, but the numeracy results in relation to AIM, which is year 3 and year 5, are showing improvements.

There are some issues about the national benchmark and I am happy to talk about them at a later stage if you wish. But we have seen significant improvements there as well. I know there has been some discussion around the word 'average' and why you have average class sizes. We have done that because it actually allows schools to make individual decisions. Some schools make decisions for curriculum reasons and they choose to reorganise their school a way that meets their education needs, so they may be a little bit above the 21. If you have two or three students who come in during the year or who enrol at the beginning of the year, you do not establish a new class for those students. They get a bit lonely if you do that.

So there is movement there. Some schools — and you probably have some in your electorates — do not have the physical capacity on the grounds to put in extra classrooms. They reorganise so the students are still getting the extra teachers. We have invested in the teachers, but they reorganise the classes. The average class size does not identify teacher-student ratio. It is only about the class size. We judge that on the literacy component. Where they have a major and significant relationship with a particular teacher, with whom they spend most of their time, obviously they get extra support. Schools do it in different ways.

Mr FORWOOD — Minister, on page 204 of budget paper 2, table A3, 'reform and demand strategy' is shown as \$81.5 million this year and a total of \$414 million over the next four years. If you turn the page it has a paragraph on page 206 about the reform and demand strategy, which says:

Funding is provided for additional demand pressures and for an integrated approach of improved targeting of resources, better reporting and accountability ...

I wonder if you could tell the committee what this is, what KPIs it has and how it will be allocated? Does it go to particular schools, or what is the system for the allocation of this really significant amount of funds? I make the point that in the output initiatives it is by far the largest initiative that the government has got.

Ms KOSKY — I did touch on this before, but I will provide more detail. We need to remember that the total education and training budget is over \$6 billion, so it is very large. The amount that is identified for the reform and demand strategy is essentially around demand. It is about our base, the budget base, which includes changes in copyright and changes in insurance costs, so for previous costs that we have had to bear within the education budget — for example, legal costs, licences for Microsoft, leases. As I said, we have had a major re-evaluation of our asset base, so that means the depreciation changes because the cost of schools and the land has increased, and also the capital asset charge has increased. There is also growth, both in the government school system and the non-government system, so that that is now built into the base. Essentially it is the shift in base, ensuring that in the base now the money is properly allocated rather than having to go to the Treasurer.

Grant, given his background, may like to provide more detail on this, but it is a fairly regular thing that from time to time every few years you readjust the base to take into account changes that have occurred in terms of education expenses.

Mr FORWOOD — So it is a book entry as opposed to a new initiative?

Ms KOSKY — It is about our base, that is right. It is not about funding that will be available for reforms in the future, but what it does do is it establishes our budget base now so we can move forward with the reforms that we want to put in place, if that makes sense. Grant might be able to explain it.

Mr FORWOOD — He comes from Treasury; it is probably his idea.

Ms KOSKY — Just to give an indication of the growth in government and non-government enrolments, to give you a sense of the movements we are dealing with, in 1999 we had a total of 794 554 students. That has increased in 2002 to 814 493 students, so it is a 20 000 increase. You have to pay for those students, obviously, so that is a shift in the base as well. Grant, do you want to comment further?

Mr HEHIR — I do not think I can add a lot to what the minister has said except to say that over the last 12 months there was a base review undertaken of the funding for the department where we, in consultation with Treasury and Finance, went through and looked at how all the elements were put together and what had changed since the last time we had a fundamental look at the base of the department, associated with the output review process the government has in place, and as a result of that it was determined that in order for the government's education agenda to be successfully implemented and the achievement of goals and targets et cetera there needed to be an adjustment to the funding framework, which this reflects. So it is about looking at what has changed over the period since the base was set, how the existing framework for funding and adjustment through time had reflected those changes, and what was a good starting point for us now to go through for probably another four or five years before it is looked at again to achieve the goals and targets of the government.

Mr FORWOOD — This time next year will we be able to say \$81.5 million was spent in these particular categories and acquit back against the \$81.5 million?

Mr HEHIR — Not directly because the money will be allocated according to the outputs and output groups across the department for achieving the objectives, so what we should be held accountable for is the achievement of the targets of the government broadly in terms of outputs, and this funding provides the basis so that we can implement those things.

Mr FORWOOD — I understand.

Ms KOSKY — It is not for new programs.

Mr FORWOOD — No. But how will you know when the \$81.5 million is gone, when you have used it all up?

Mr HEHIR — Because we will have undertaken expenses equivalent to our budget.

Mr FORWOOD — If that is the case, you will be able to acquit.

Mr HEHIR — But not as a separate bucket from the broader budget.

Ms KOSKY — It will not be acquitted against reform and demand; it will be acquitted against the different areas.

Mr FORWOOD — Particular items in each of the output groups?

Ms KOSKY — Yes.

Mr RICH-PHILLIPS — So it is effectively just a top-up to the budget — the global budget?

Ms KOSKY — Not the global budget necessarily to schools because a lot of it, such as copyright, we have picked up. There was a legal decision made around copyright which worked against government that was significant in cost. We have had, as I said, the asset re-evaluation, so that is not to do with the school global budgets. That is to do with just our base.

Mr RICH-PHILLIPS — I meant the department budget, not the — —

Ms KOSKY — It is a readjustment to our base in recognition of a whole series of different decisions, but it was decided that it was time to re-evaluate whether in fact with all those different items you can absorb that within a budget the size of ours, or whether you need to readjust the base, so it is a reflection of that.

Mr FORWOOD — I guess my only quibble about it is whether or not it is a new initiative as opposed to an internal restructure or reallocation of dealing with internal stuff.

Mr CLARK — On its face what seems to be the biggest single initiative in the department's budget is in effect a book entry. Are you not overbadging it a bit to call it a reform and demand strategy when it is really a set of accounting adjustments?

Ms KOSKY — Possibly, Robert, but if we had put it in as a straight book entry you would have been attacking us for not identifying the funding.

Mr FORWOOD — I would have.

Ms KOSKY — That is right.

Mr MERLINO — Minister, I refer you to page 39 of budget paper 3 which relates to the adult and community education places and community support output. As a former chair and current member of Morrison House, the ACE sector is very close to my heart, so I am really interested in developments here. Can you advise what the government is doing to strengthen adult and community education in Victoria?

Ms KOSKY — We have made a major effort in the adult and community education sector, as you are probably aware, because we believe that is not just about add-on education; it is a critical part of us meeting our goals and targets, particularly around lifelong learning, but they have also made a major impact on the 15 to 19 age cohort. We have put in a record investment of \$36 million into the ACE sector. That is in the 2002 year.

Just to provide a bit of detail of what that relates to, there is funding there for the Youth Pathways program, \$3.5 million, which is very much focused on ensuring we have proper plans and proper education for young people within the 15 to 19 cohort, and they are increasingly being picked up. Those kids who have not traditionally fitted into school are going to ACE providers in large numbers. We have also put in an extra \$4 million for the ACE clusters and learning towns, particularly in regional and rural Victoria, which is about providing extra support for them so they can focus on education within their local communities, but also so they can come together and have efficiencies in what they were providing.

We provided \$1.4 million for 11 mobile computer learning libraries. They are essentially housed at one ACE facility in a region, and I think, Danielle, you are familiar with that in your area. They are there essentially for ACE providers to tap into. They are essentially laptops, and it means you can do education to farmers on the farm or to people who are very isolated in rural areas, so it is online learning and really does spread to those people who have traditionally missed out. We provided \$3 million as well for capital works in ACE facilities — the first time they had ever been provided with funding for capital works. That was through the Community Support Fund. This generated a further \$27 million from local government, from the ACE providers themselves.

It ended up a \$30 million project for our investment. It is worth mentioning that 48 per cent of this funding for the ACE program went to regional and rural Victoria, which is probably an indication of the quality of facilities they had. But that was greater than our target of funding, and \$2 million of recurrent funding has been provided to increase the average student contact hour rate. It is now at \$6.11. That has been a major concern, that they were unfunded particularly for payment of tutors and trainers, so last year — it flows from this year — we increased the

average student contact hour rate. This represents an 18 per cent increase on the average student contact hour rate for the ACE sector since we came to office. We have improved that funding, which will have an ongoing impact also on the viability of the ACE organisations. We have also attracted \$1.9 million of funding for the connected ACE program.

We have looked at how we can strengthen the ACE providers and start to treat them as part of the education and training provision rather than an add-on, which was traditionally seen as probably basket weaving and macramé. It is not, it is very much how we see ACE targets for education and training. They provide fantastic programs often in a way that the larger institutions do not provide them. They are very welcoming and do not take no for an answer, as anybody who has had anything to do with ACE providers would know. We have made a major investment, but they have taken up the challenge to help us meet the goals and targets.

Mr FORWOOD — On page 39, under measured quality, does it not suggest there will be less successful completions in ACE organisations than previously?

Ms KOSKY — From memory you are comparing a target with an actual. This traditionally happens. ACE providers, as do TAFE providers, over-deliver, so we put in a target for what we will fund and the over-delivery turns up in the actuals. It is not believing there will be a reduction, but if we targeted over-delivery then we probably would be in some major difficulty. The actual always ends up being over the target because they over-deliver, but we fund them for the targets.

Mr FORWOOD — The target next year is lower than this year's expected outcome, which is lower than the revised target, which is lower than the original target. There is a trend. I refer to the last line on page 39.

Ms KOSKY — Sorry, it is because more students are taking longer courses. The number of completions reduces even though — —

It is not saying it, but it is the percentage of those who take up and complete, and that is happening across the private provider sector in larger numbers. They are putting in place longer courses rather than — —

Certificate 1 now has almost disappeared. They are focusing more on certificate 2 and certificate 3.

Mr CLARK — Last October you released a document *Improved Educational Outcomes — Knowledge and Skills* which was, if I may paraphrase, intervention in schools that are having difficulty in performing, or underperforming schools based on the available information on student results and participation et cetera. Can you tell the committee under what line item that program is being funded, what its output measures are going to be, what have you been able to identify so far in terms of schools most in need and, conversely, which schools have you been able to identify as best performing? What sort of interventions has the department undertaken or is intending to undertake?

The CHAIR — Do you want to take note?

Ms KOSKY — There is not a line item in relation to the accountability statement, but obviously a number of those issues get picked up. As part of that statement we indicated we would be putting in place year 7 AIM tests. That starts this year and obviously we will be reporting on that in future years.

We report against the national benchmark. We are putting in place the accountability statement. At the moment we are doing a lot of detailed work on how we can really, via the regions, work closely with schools that are struggling. As you are probably aware schools for some time have done triennial reviews. They have become a bit par for the course rather than something that is being used to look at school improvements. What we want to do is refocus those triennial reviews so they focus on both positives — that is, what is working well in schools and a celebration of what is working well — as well as looking at those areas where there can be improvements. Obviously there can be improvement in all schools.

We are also identifying those schools in like-school groups where we believe that improvement can be made, if they are compared with like-school groups. The challenge for the department is how we work with those schools to achieve that. I am certainly of the view that punishing or pillorying publicly is not the way to achieve improvement. It is to work closely with them to identify the changes they want to make and how we work with them to achieve that, and we are currently working through a process. In a few weeks time I will be identifying more details around that.

We have taken the accountability statement and we are putting it in place in terms of the detailed delivery that we have, the accountability of the department and the centre, to schools and what they need to provide in return. That is all being put in place at the moment.

Mr CLARK — Will your announcement cover performance measures for how successful you have been as a department in achieving those objectives?

Ms KOSKY — That is what goals and targets are all about. Essentially what we are wanting to do is to see major changes in our completion rates, and we are seeing improvements, but we need to go further in that. We know that probably with those schools that are struggling with those kids, some of whom do not want to be at school, how do you re-engage them? We believe the Victorian Certificate of Applied Learning (VCAL) will make a difference. A number of different measures are being put in place and will be under different outputs in the budget. It is usually under the quality measures.

Mr CLARK — I think you pick them up; you look for improvement in the broader quality measures rather than having specific performance measures on how well — —

Ms KOSKY — We want to focus on outcomes. We want improvement in student outcomes and with individual schools now through a whole range of our programs that we have put in place which are about access. We are getting schools to sign up to compacts. So it is really identifying what it is they want to improve and how they will know if they get there. The school level is much more focused on student attainment, retention, absenteeism and a whole lot of those measures in a compact. We do it in a broader sense in terms of those broader measures.

Mr FORWOOD — The compacts would be funded out of different buckets?

Ms KOSKY — With the compacts we have the Access to Excellence program which is funding we put in last year — — .

The CHAIR — Can you explain that as that was my supplementary question?

Ms KOSKY — In our previous funding commitments we focused on improving individual outcomes — individual students who were not doing particularly well, cohorts of kids who have not traditionally done well — and we also focused on excellence and innovation. That is, how do you bring individual schools and all schools forward and ahead? It is about improvement right along the line.

We have put in place a whole range of programs around access. Access to Excellence was introduced this year, with \$105.1 million for that, and that put in 300 extra teachers. We identified those schools that were struggling in a range of different areas — literacy, numeracy and attendance at school — which were some of the key problems we responded to. We identified 118 schools. Schools had to sign up to a compact with the department in order to get those teachers.

They could develop a compact. We had criteria, but it was those areas they wanted to improve in. If it was absenteeism or literacy they needed to focus on it so that they would actually know if they were getting improvement or you would know that certain approaches do not work. You need that feedback. Individual schools have compacts and will be measuring how well they have moved. Obviously that is good for a system because you start to get the sense of what is working well and what does not necessarily work well. In this year's budget we have also got funding for the welfare officers. We have funding for — —

Mr FORWOOD — Is that part of it as well, the welfare officers?

Ms KOSKY — That is not part of Access to Excellence. That is a separate program but it is in response to — we have a range of different programs which are responding to individual — —

Mr FORWOOD — Initiative 7 in the document was where evaluation suggested schools required assistance and detailed intervention strategies would be put in place.

Ms KOSKY — This is what we will detail through this year — it could start from the beginning of next year — but it is about using the triennial reviews in a more targeted and focused way to identify those schools that need more ongoing support. My guess is that there are probably around 50 schools where we should be providing additional support.

At the moment we tend to tell them that they need to improve and then leave them to their own devices. What we want to do is to establish mentoring and provide extra assistance and support, but also to get the schools to start to identify where they want to focus their attention each year. We will provide the support to help them move towards that. That is what we will be doing and there will be a different program with each school. At the moment we are looking at how we can restructure the regional offices in order to better deliver on that.

The CHAIR — You have mentioned Access to Excellence as one opportunity to build on the points that Robert raised. As I understand it, there is another initiative also in the budget on page 19, Schools for Innovation and Excellence. As I read it, that is very much about reform to the middle years of schooling to increase those children's engagement with education. How does that operate? I am particularly interested in this given that my electorate has, I imagine, a couple of the schools that you will be giving special attention to. I am very pleased that they will be, I trust, among those 50 schools. Quite frankly, it is better to do it this way than to have headlines in the paper that demean principals and schools. This seems to me a way of engaging them.

Ms KOSKY — Schools for Innovation and Excellence was identified in last year's budget and it is \$84.3 million that we have provided. It is focused on all schools around the state — all secondary schools with their key feeder primary schools. So innovation and excellence is really how you provide an opportunity for schools to look at what they are doing; to look at areas of specialty or where they want to show strong improvement and to focus on those areas. So it is not just about bringing the tail up. It is about focusing on how schools strengthen and stretch what they are doing. The funding is around \$200 000 to each cluster of schools — usually one secondary school with key feeder primary schools, sometimes it is a couple of secondaries depending on the size of the secondary schools — and it allows time for them to focus on what they are doing around the middle years.

We know the middle years is the time when kids can become disengaged with schooling. The funding provides time to look at what is in place in the curriculum, and in learning, and whether connections are being made. It is also a chance to look at the depth of the curriculum offerings and to specialise in some areas. There are some fantastic examples: some schools have developed themselves in music, art, visual arts, performance; other schools have had a focus around science, IT; some do a combination; some do physical education and sports. It is an opportunity for schools to develop the areas they want to excel at.

We do not want mediocrity in our schools; we do not want all schools to be the same; we want schools to look at how they can challenge themselves and their students. That funding of \$200 000 is for one year. There are 70 clusters this year; there will be 70 clusters next year; and 70 clusters the year after. So all schools will be able to access the funding and it provides funding for teacher time release. Most schools have coordinators to manage the programs. It is looking at the links between primary schools and secondary schools. It is about professional development. It includes engagement with the universities so it has an academic and a theoretical strength, but it is a chance for schools to look again at the middle years and how they can develop their programs better. From that there is also a teacher employed on an ongoing basis in each cluster to coordinate the middle years. We are getting some fantastic results. There are some exciting developments coming out of it. I suppose it gives you a chance to move from a straight subject focus to what is happening across the board.

Ms GREEN — Minister, taking you back to apprentices and training, I refer to budget paper 3, page 21, which relates to the delivery of vocational education and training by TAFE institutes, adult and community education providers and private providers. Can you expand for the committee on what the government is doing to support apprentices and traineeships in Victoria?

Ms KOSKY — We have put a lot of additional funding into apprenticeships and traineeships in Victoria. I mentioned just before that we have record numbers in training in apprenticeships and traineeships: 145 194 apprentices and trainees as at 30 April this year. That is an increase of nearly 22 per cent on last year, so we have had extraordinary growth in apprenticeships and traineeships over the past three to four years, but it continues every year. We have the highest number of apprentices and trainees in Australia so it is a record not only for Victoria but for Australia. The budget for apprenticeships and traineeships training is just over \$181 million for this year, which is a rise of 66 per cent since we came into office. We really have invested significant additional dollars into apprenticeships and traineeships. It is worth saying that we have got terrific results from that.

Obviously this is part of our goals and targets again around education and training, so it is about making sure that particularly young people are engaged in some form of education and training and are not leaving school early. We have also provided extra money for group training companies. They now have a budget of \$5 million annually. Group training companies have been critical with small to medium enterprises and also in rural Victoria where they employ apprentices and trainees and connect them with host employers but will have a range of different

employers, so particularly around apprenticeships it has worked incredibly well, because sometimes employers cannot keep apprentices on for the length of the three or four years required. It also means the apprentice gets a whole range of different experiences. That has worked incredibly well.

I can talk about — and no doubt there will be a question on it — our focus on completion. Completions have not been good so while we have increased incredibly the numbers taking up training we now need to focus on completions because they have not been as high as we would have expected. If we are going to focus on the goals and targets we have established for ourselves and the completion rate for year 12 or its equivalent being 90 per cent by 2010, we need to do more about completions in the apprenticeships and traineeships area. We have made record investments both in TAFEs and private providers and so both have been boosted and, as I mentioned before, the ACE sector. We are seeing growth in all of those areas.

Ms GREEN — Minister, you touched on completion rates and I would be interested to hear a little bit more about the strategies to improve those completion rates. You talked about the group training companies. I am also interested in the impact the new completion bonus for employers will have on completion rates.

Ms KOSKY — It has been a concern. It has turned up in the budget papers and I have to say I am surprised it has not been asked on previous occasions. Both the budget papers and National Centre for Vocational Education Research (NCVER) figures have indicated real concerns about completions across Australia and obviously it is an issue in Victoria. While we make the major investment in people going into training, they need to complete it to get the benefit of it. I have been concerned for quite some time about the low levels of completion.

I will give you a bit of a sense of some of the levels of completion. Traineeships tend to be around the 12-month period so they are usually certificate 2 level, the average completion rate is around 55 per cent. If we had only that rate in terms of secondary schooling we would be pilloried. We have apprenticeship completions of around 70 per cent to 75 per cent; they are much better, but there is still room for improvement. In some occupations the completion rates are as low as 45 per cent. That means 55 per cent — the majority — are not completing. Remember the traineeships are only for 12 months — it is not a long period of time. The specific occupations with low completion rates include sales assistants; sales representatives and supervisors; service workers, intermediate — for example, personal care attendants, childcare workers and nursing assistants; clerical workers, intermediate — for example, general clerks and bank workers; cleaners; and service workers, elementary — for example, security guards and factory labourers. They are very low in completion rates.

What we also know from the NCVER data and the commonwealth department's data is if you complete you have a much greater opportunity of getting unsubsidised work ongoing than if you do not. The figures for 1996–97 showed 84 per cent of those who completed did get unsubsidised employment while 39 per cent of those who exited without completion got unsubsidised employment. Those figures have improved somewhat. The 1999–2000 figures showed that 93 per cent of completers gained unsubsidised employment with 70 per cent of non-completers gaining unsubsidised employment. It just demonstrates that if you complete you get the benefit, which I suppose is pretty obvious — you get the credential.

There are two concerns. One is that in some instances companies put people on traineeships immediately. What we want companies to do is make the commitment to seeing the traineeship through. They do get major financial incentives for having someone on a traineeship, but our investment has to be in the young person. If the employer gets some form of benefit, that is fine so long as the young person gets that benefit as well, which has to be the completion. The low level of completion rates would suggest that people are leaving before they are completing.

We are now focusing on completion rates. As you are probably aware, there are two sets of incentives that employers of apprentices and trainees get. If they are large companies they get the payroll tax exemption from us — if they paid payroll tax they would get the exemption for apprentices and trainees. For a trainee it differs a little bit but it is worth around \$1100, and for apprentices it is worth \$1000 to the employer. They also get a benefit from the commonwealth government incentive payments which are higher than that. The commonwealth has recently changed the way it makes its payments so it does part up front and part on completion. It has shifted, with the same concern I had raised previously with the federal minister. We have now put in place a completion bonus program worth \$51.4 million over the next four years. It focuses on a bonus so the benefit is there if you get the bonus. It is \$1500 for a trainee on completion — in recognition that that is where we have the major problem.

The CHAIR — That is more than the payroll tax.

Ms KOSKY — It is more than the payroll tax exemption if they complete. It is only a 12-month course so it is a greater benefit if they complete. For apprentices it is \$3000 on completion. That is roughly the equivalent.

Mr FORWOOD — Three years at that.

Ms KOSKY — Yes, that is what we have put in place. It is for employers with three or more apprentices or trainees because we had to work out roughly who would be those employers. It is a replacement of the payroll tax exemption so we worked out essentially who those companies were. We had to work out a system of assessing those who would now have to pay payroll tax. It is worth mentioning — I do not have the figures in front of me — that by far the bulk of apprentices and trainees are with major employers or group training companies. That is where the bulk of employment is. It is also for young people under 25, so apprentices and trainees 25 years or under. That fits it with our goals and targets. We are absolutely focused on our goals and targets about the completion of year 12 or its equivalent. The equivalent is a certificate 2 or higher so that is what we are focused on.

I am confident. We have budgeted for increases in completions through the budget. We have budgeted for completion rates for traineeships to rise from an average of approximately 55 per cent to 70 per cent by 2006–07, and for apprentices we have budgeted for a rise from 73 per cent to 90 per cent by 2006–07. We will be monitoring the program, particularly in relation to apprenticeships, to ensure that we are still getting the companies picking up apprentices and making that commitment. Because it is at the end of the three years there may be a bit of an issue about someone who has been there for two years. We are going to monitor that to see if that is in fact the case. I have given a commitment to the Australian Industry Group and Trades Hall Council that if there is a difficulty there we will look at some other mechanisms. It may only be in particular industry areas too.

Mr FORWOOD — I think you said Victoria had more apprentices and trainees than anyone. Do you know the number?

Ms KOSKY — Yes, we have 142 800. That has increased from 76 000 in 1999. It shows the extraordinary growth. We do not fund all of that — obviously employers fund some of that training as well.

Mr FORWOOD — In relation to the completion bonus system, the target shows 7670 in the forthcoming year and I am interested to know how you arrived at the figure, how that aligns to \$6.4 million and then next year the amount of funds for this is \$13 million and the following year, \$15 million. Obviously you are expecting there to be a huge increase in the second year.

Ms KOSKY — They are on financial years, not calendar years. This will start from the beginning of this financial year, but it will be phased in. There will be some employers who are still picking up the payroll tax exemption for those who are completing or who have picked up some of that exemption. Say it is an apprentice, if they complete later this year the employer will already have picked up two parts of payroll tax exemption so they will get the equivalent of the third year. We are phasing it in over that period. There is a phase-in period and we are also anticipating growth in completion. Obviously that is why we are doing it.

Mr FORWOOD — How did you arrive at the 7670?

Ms KOSKY — We worked out the number of completions we have at the moment and the numbers in training. We have also had information from the State Revenue Office about the number of exemptions that it already provides.

Mr FORWOOD — So the 7670 is people who are two years and six months into their course and who will finish in December this year?

Ms KOSKY — There will be some who are doing that and some who are six months into their course and there will be some who are three months into their course —

Mr FORWOOD — But they will finish December this year.

Ms KOSKY — They finish at different stages of the year. We are having to phase that in. Obviously we have made an assessment — our best estimate — of what that is likely to cost on the advice we have about all people who are registered for traineeships and apprenticeships.

Mr FORWOOD — I have not got it with me, but I did the sum of dividing the two and I did not think I got a figure that meant much.

Ms KOSKY — You cannot, because we are phasing it in. If an employer has had the benefit of payroll tax exemption and if someone is doing a 12-month course this year and finishes at the end of this year, they will have

had six months of payroll tax exemption benefit so they will get the equivalent of the completion bonus. It is complicated for the first year. It becomes easier as we move out from the payroll tax exemption benefit.

Mr RICH-PHILLIPS — I would like to ask you about the early years numeracy program. I see early years numeracy remains or is listed as the first departmental objective in the budget papers. I do not know if that is a priority order or not. In late 2001 a number of primary school principals made critical statements of the former Minister for Education with respect to the lack of funding for the early years numeracy program. I understand earlier this year you indicated in Parliament that the funding for that is \$34 million. I wonder, firstly, has all of that \$34 million been in the current financial year — that is, 2002–03 — and is there funding for the program in this budget going forward? Secondly, can you explain the relativities between the funding for early years numeracy and the funding for the literacy program? I understand the funding for numeracy is at a considerably lower level than that for literacy, and I am just wondering what is the difference between program delivery that would result in a substantially lower budget for numeracy versus literacy?

Ms KOSKY — There is a difference between literacy and numeracy.

Mr RICH-PHILLIPS — But I mean in terms of the program.

Ms KOSKY — It is \$34.6 million for early years numeracy coordinators, which was identified in the budget last year. It has rolled out this year — that is, over a four-year period — for those coordinators. We have done a lot of research around numeracy and what was needed, as we did with literacy. So there was a major research program around numeracy. We have responded to that research in the work with schools. We have provided funding for the coordinators and we have also provided professional development for the teachers. A major program has been developed around numeracy and the professional development linked in with that. The early years teachers were all trained. Essentially we have trained a person in each school and then that person trains the rest of the early years staff in relation to the numeracy program.

We have done with numeracy what we did with literacy, which was to break down the different skills areas. Sometimes students are doing really well with particular areas of numeracy — they might be doing well with adding and multiplication but not with estimation or measurement — so there are all different aspects as there are with literacy. That program was developed and teachers were trained, but teachers said that what they needed was a 0.5 position in each primary school to put in place — I do not want to call it a test because it is not a test, I suppose it is an assessment. Every child sits down with the coordinator — it is quite time consuming — and they run through a lot of questions. It is done on computer so if they answer a certain number of questions it goes to another section. It identifies where they are up to in different skill levels, but it also identifies where they might have some weaknesses and may need extra support.

In the past it often was not until you got to grades 5 or 6 — kids appear to be going well, say, with maths, but then you realise at grade 5 or 6 that they have not understood a particular concept, and it is much harder at that stage. That is what the program now does. The funding for the early years numeracy coordinators was for that intensive work, which occurs with every student. We have put in other funding to provide for the professional development of all the teachers in those primary schools in the early years program. We have developed curriculum materials, and they are put in place in the numeracy program.

Mr RICH-PHILLIPS — So the \$34.6 million is only for the coordinators; the PD is separate?

Ms KOSKY — Yes, the PD is separate. We have responded to the numeracy. The figures are different because we have responded differently to the different needs around literacy compared to the needs around numeracy. That is why there is a disparity. We responded to what schools were saying they needed, which was this coordinator just to do that extra assessment. But the other PD and work has been funded separately.

Mr RICH-PHILLIPS — What is the structure for delivering literacy? How does it differ from the structure for delivering numeracy?

Ms KOSKY — There is just a different — —

Mr RICH-PHILLIPS — Does it require coordinators?

Ms KOSKY — No. We have an early years literacy coordinator, and that is funded from within the literacy program. There is also reading recovery for students who are struggling. I suppose what has been identified is that literacy probably does have the stronger area of need because if you do not have literacy in fact numeracy

becomes very difficult as well. You need to have basics in literacy because it covers every subject area; numeracy does not necessarily do that. So there are two prongs to the literacy program. One is about the literacy program within schools and the other is a reading recovery program, which is working with those kids who need that extra support and some intensive work, often for short periods of time. As with the numeracy program, an assessment is made of where it is that kids might be struggling. It might be reading, it might be comprehension, it might be writing or spelling where the focus is; but it is literacy that underpins all of those subject areas.

Mr DONNELLAN — Across the board we have produced class sizes, as you have mentioned, and so forth in primary schools. A recent report from the Centre for Independent Studies claimed that reducing class sizes had a minimum impact on a child's education, and the cost involved would be better spent on improving teacher quality. I wonder if you could comment on that and on what the department's view of that report actually was.

Ms KOSKY — The review was interesting. Certainly all of our research shows that the early years are the critical years where you need to reduce class sizes in order that you can have that very close attention with students and pick up on any literacy and numeracy issues. I suppose it is a much more intensive period with young children.

Once you get beyond prep to 2, research does not single out class sizes as being a critical factor — when I talk about class sizes, obviously not if you had 50 in a class compared with 25. It also signals a number of other areas. Teacher quality is a critical area: how you teach, how you organise classes, the relationship that teachers have with the students, the way teachers develop their curriculum and the quality of their teaching and the qualities of that learning environment. That becomes more important at a later stage, which is why in the early years we have invested in those intensive programs. In the early years there are numeracy coordinators, the literacy programs and coordinators, smaller class sizes. After grade 2 we certainly have intervention programs, but we also have invested in, say, the middle years program, which is about how you organise the middle years, what you teach, how you teach, the quality of the teaching. That is where we focus our attention and, in the later years, having a range of pathways for young people for their learning. That is the focus we have taken and certainly, I think, the research that has been done is consistent with our research.

The CHAIR — There was an ANU survey that had quite a different result to that CIS one.

Mr DONNELLAN — Just the total spending and so forth and with R & D and education it suggested pretty much that the more you spend productively the faster a country grows effectively.

Ms KOSKY — It is not just the more you spend, but how it is spent. You can throw big dollars at education. If you are not focused on outcomes then I suppose it is a bit like learning; you can have kids in a classroom for a long period of time, but if you are not focused on what they want to learn and you do not develop a plan on how they are going to get there then it does not make a difference. Our strategy and all the investment we have made is focused on the targets we have set. We have really shifted resources around in schools. Obviously schools do a lot more in order to achieve those targets, but it is not all about being at school; it is being successful at school, completing and having credentials that have value outside the school and beyond the individual.

Mr FORWOOD — I refer you to tertiary education and training at pages 37 to 41 of budget paper 3. In passing I note that there is nearly \$1 billion for TAFE, \$34 million for adult education and \$1.5 million for higher education. I note that inside the higher education output group nothing comes across that touches on the issue of governance, university governance in particular. I would have thought that is one of the output measures you need in relation to your responsibilities in oversighting Victoria's nine universities, which leads me to my particular question about RMIT which has had extraordinary problems. As you know, we found ourselves earlier this year with significant resignations from the council of the university. One would think that if it was in the private sector the chief executive officer would have gone as opposed to the board, because my recollection is that your own appointee resigned at the time. What is your view about what is happening at RMIT at the moment? Do you have confidence in Ruth Dunkin as the vice-chancellor? Do you have particular strategies in place to ensure that the governance we have seen at that particular university does not deteriorate in other universities as well?

Ms KOSKY — Let me start with the general and move to the more specific. We have had a concern around some of the governance issues at a whole range of universities, particularly in relation to commercial activities of universities and the reporting of those. I have had a number of discussions with a range of people, including the Auditor-General, around good governance and what would make good governance within higher education. We have obviously looked at the TAFE sector as well.

A report came from the Auditor-General in relation to governance in June last year. We have done a number of things in relation to governance, including changes to the Audit Act — which I think might have just about gone

through now; it has just come back again — and also in relation to the governance around higher education. I do not know if you read Brendan Nelson's paper on higher education, but he praises Victoria's governance structures. He suggested other states pick them up, and he might get into a bit of trouble there, but he is very supportive of what we have done here in relation to governance. It is obviously about looking at what is the right sort of governance model and how you have confidentiality within a governance structure, which has been a problem for a number of universities at different times. It is also about how the reporting occurs, particularly the financial reporting around different entities within universities, the public provision and also the private provision both domestically and offshore.

Our governance report responded to the review, a process in which all the universities were fairly actively involved as well as other organisations. In their annual reports they now have to report on the performance of not only the domestic provision but the university associates and commercial ventures. They are also required to include a risk management statement in relation to associates and commercial ventures, as well as the publicly funded activities. The legislation that has just gone through empowers the Auditor-General to audit companies that are controlled by Victorian universities but are established overseas. So we have put in place quite a number of changes.

RMIT obviously has had a number of issues. The academic management system, which was a fairly large failure, was a big problem for it. It attempted to do what I think probably no other dual-sector university has done today and probably will be reluctant to do for some time. That was to have one management system for TAFE and higher education, so that students that were enrolling went on to the one system. They did not deal with things differently. It was actually a very tough task given that funding is treated by each sector differently. That had some real problems and it has come at fairly significant financial cost for the institute. It would be fair to say to RMIT that it is not the first organisation in which an IT system has not worked, and there have been some pretty major failures — they all seem to be incredibly costly — in large companies as well as academic institutions.

I asked the Auditor-General to investigate the academic management system's failure, and in June 2002 he provided me with a confidential interim report and then he tabled the final report in the Parliament in February this year. He found that RMIT senior management had responded to the interim recommendations of the Auditor-General by instituting improved project governance and management arrangements, undertaking immediate remedial action and planning for a replacement solution.

Obviously there has since been some further concerns. I think in part there have been some personality issues as well, and some differences about how the university should proceed. There were some resignations at the beginning of this year. It followed the university requesting the signing off of an overdraft facility. I asked a range of questions about that before I was prepared to consider it. That was overtaken by the federal government actually providing a loan, so the overdraft facility that needed state government approval basically lapsed. As a consequence a number of people during that period resigned. I spoke with them all about their reasons, and there were a range of different reasons given which I do not intend to repeat as they were part of personal conversations. I suppose some of the concerns around the finances of the university were raised on a fairly regular basis.

I then asked the Auditor-General to conduct a further urgent audit of RMIT's current financial position and budgetary outlook, understanding that that is the most appropriate way for me to go as minister and not to get the department to go in there; that is completely inappropriate. I asked the Auditor-General because the Auditor-General has a responsibility to report to the Parliament on all universities. That was the most appropriate way to go. Given the concerns that had been raised, as minister I needed to be able to demonstrate to the Parliament whether they were legitimate concerns or not. Having the Auditor-General engaged to do that work appeared to be the most appropriate way to go. It needed to be done urgently to resolve some of the issues that were bubbling away.

The Auditor-General will report to me, and a draft report might have come in. I have not seen that, but as you know there is a response that goes back. I am assuming that will be tabled in the next few weeks, although if the other audit bill goes through there will be capacity to table outside the parliamentary period if necessary. So that is where, essentially, the items are up to. There were major concerns around the academic management system. I need, as does Parliament, to have confidence that it is not broader than the academic management system; that it was more a one-off. I also need it demonstrated that the university has in place the proper mechanisms and strategies to move forward and deal with this one-off, significant cost.

As I have been informed, if the academic management system had not failed, the university would not have delivered an operating deficit. That is the advice that I have been provided with. They now have a new chancellor, Professor Dennis Gibson, who was the vice-chancellor of Queensland University of Technology, and who is very

widely respected right around Australia. He has a strong knowledge of universities, but intends to be a chancellor and not a vice-chancellor at RMIT. He intends to act in that role, to ensure that there is good governance. I met with Professor Gibson and a couple of other members of the council a few weeks ago to talk through how things were going. They were confident that things were moving forward.

As you know, I gave a 12-month window within which I was identifying that there needed to be real changes in the finances. I can do that on public record, but at the end of the day I have no authority, as I do not with a CEO in a private company, to make decisions that are not my responsibility. My responsibility is ensuring good governance and reporting to the Parliament on that.

Mr FORWOOD — How many vacancies still exist on the council? My understanding is that they have not all been refilled, and that one of the reasons is that people are saying, ‘Why me? Why are you picking on me?’.

Ms KOSKY — No, that is definitely not the case, and on 15 April, Moira Scollay, who is the CEO of the Australian National Training Authority, and who is leaving that job shortly, has taken up the opportunity to join the council, and went to a meeting the other night, as did Anne Dalton and also Terry Francis. They have all been appointed, and they attended their first meeting earlier this week. In terms of ministerial appointments, I think there might still be one vacancy.

Mr FORWOOD — And a couple of council appointments as well?

Ms KOSKY — There is, but that is up to the university. In talking with Dennis, what they are wanting to do is identify where they need those additional skills. We wanted to act quickly, and certainly I was keen for the appointment of a chancellor, and someone who is incredibly well respected. That is a council decision obviously, but I was very supportive of Dennis’s appointment. We have appointed a few other people, but Dennis was keen to take a bit more time and not act with incredible haste just to have the positions filled. He wanted to ensure that they were of the right skills and background.

Ms ROMANES — Minister, I notice from the copies of the overheads that in your presentation you have referred to the tertiary education system in detail, and I refer to state budget paper 3 of 2003–04, on page 469 on commonwealth funding. Can you provide some advice on the impact of the commonwealth budget on higher education in Victoria?

Ms KOSKY — The report that came out the other evening in conjunction with the federal budget was very detailed and there is quite a large number of elements to it. The focus was particularly on two aspects — the deregulation of fees, and also opening up the higher education contribution scheme (HECS) fees, allowing for universities to charge higher amounts in certain courses, as well as opening up from 25 per cent to 50 per cent the number of full fee-paying places at universities. So the large focus has been around those issues.

I probably would like to focus on the issues I think will affect Victoria in more detail. I think they will, but they will be well canvassed in other forums. This year we have turned away 23 531 eligible Victorian applicants. They are applicants who have met the necessary requirements, passed the VCE, or they may be students returning to study — they are not all from year 12. But more than 23 000 this year were turned away and did not receive a higher education place. That is an 8.8 per cent increase from last year. My guess is that that will continue to increase because you are getting a built-up, unmet demand from previous years. That represents 38 per cent of the demand within Victoria, but on a national basis 37.3 per cent of all applicants who failed to gain a place in university across Australia resided in Victoria, so we, by far, have incredible unmet demand and it is rising. Queensland and New South Wales are a fair way behind that in terms of their unmet demand. Given that, what was in the commonwealth budget on Tuesday night in terms of growth places goes nowhere near addressing that level of demand. Even if you accept that some of those people who are eligible may not be up to the mark, even if you halved that figure of 23 000 you are still looking at around 11 000 to 12 000 who are not picking up places.

With teacher education and nursing, which are critical issues — and there was commonwealth work that identified teaching and nursing as being places where there was significant skills shortages — we have people applying for them but they cannot get into the courses. So we had 3529 eligible teacher education applicants who did not get places, and 2600 eligible nursing applicants who did not receive a place. So we have people who want to take the places who are eligible, but who cannot get them because the places are not there in the universities.

In the budget they have not identified any extra places for teaching, but they have put extra places in for nursing. The number of nurses is 210 in 2004, rising to 574 in 2007. That is nationally. In Victoria we estimate that we need 1000 places now, with 200 ongoing annually. That takes into account the extra nurses we are putting into the

system plus the attrition that occurs, particularly as people retire. They did not identify any extra teaching places, but we estimate that we need around 600 places now and on an annual basis to meet our needs. They have indicated those extra places, 210 rising to 574, in nursing. They have also identified that they have put in 1400 extra places — that is dealing with growth — in 2007. That is actually the election year of the next government. It will have significant impact here in Victoria given the shortages we have got.

We ran a major recruitment campaign in both nursing and teaching last year. We will still continue to attract some people who want to return to the profession, but we have probably picked up the lion's share. Now we are looking at new graduates and on those figures you cannot get them. We have probably attracted as many as we are going to from other states at this stage. We have done the bulk of that work.

We have some major problems here in Victoria and no doubt other states will have similar issues. We have lost 6000 higher education places since 1996. Essentially they have been transferred to other states since 1996, so 1400 places to deal with growth in population in 2007 is going to go nowhere near meeting that. I am really concerned because as a government we have made a commitment to extra nurses and teachers. If we cannot get the trained people that means patients wait longer and kids have more crowded classrooms. That is essentially the outcome. I thought it was an incredibly disappointing response.

Obviously a lot of the funding has gone into properly paying for where universities essentially overenrol. They only got 25 per cent if they went over their HECS-funded place; this now pays fully for a large amount of those overenrolled students, but only so long as universities do not continue to overenrol. That will help with university financial viability. There may be some smaller classes in universities, but my guess is that it will probably go more to viability. But it does not deal with extra places. There are some extra places in rural and regional campuses, but they are small in number given the quantum of the problem.

Ms ROMANES — That is a dire situation you have described in terms of the implications for skills shortages in the future. I am also wondering if you could comment on whether it has implications for the government meeting its objectives of increasing completion rates to 90 per cent, given that there is that unmet need and a lot of students are finishing their final year and having nowhere to go. How will that affect their motivation to go on, particularly for those who struggle to get through school?

Ms KOSKY — As I said before, with a lot of our programs we have targeted programs to identify both issues of access for individual students and for cohorts of kids who have been missing out, as well as innovation and excellence. If we want to focus on innovation we need to put additional resources and programs in place. That is where we have focused our attention. We have required extra teachers for those places. They are all geared towards meeting our goals and targets. We are geared up for that. If we cannot get the properly trained people for those places then it does start to raise a whole series of issues.

I have two concerns. One is about us meeting the commitments we have made in extra nurses and extra teachers and having properly trained people, but in relation to education I have a concern that if we continue to have the same level of unmet demand, if we are constantly convincing young people to stay on and complete 12 years of schooling and they then find the gate completely locked even though they have done everything they were supposed to do and have succeeded, it is going to have some detrimental effects. They are not going to buy the line that education is good for them if when they do well it says no to them. There are two of the concerns I have in relation to meeting the targets and which could impact on retention rates in schools, because kids will choose to go to work rather than stay on for 12 years of schooling if they do not believe they can go further. It will also have real impact for the delivery of our programs.

Mr CLARK — Can I go back to the subject of the changes relating to trainees and apprentices? Earlier I mentioned revised percentage targets for completion. I do not think you have mentioned the actual revised numbers of expected completions. My question relates to that. I understand that senior people from Group Training Victoria had a meeting with officers of your department on Friday to discuss their concerns about the abolition of the payroll tax exemption and the other arrangements. I also understand that you have said that measures will be taken so that group training companies will not be disadvantaged by what they believe is going to be a fall in the opportunities for them to place apprentices and trainees. Can you tell us what the actual new target numbers for completions are in apprenticeships and trainees as distinct from percentages, and also can you tell us what steps you are taking to address the concerns that have been raised by the group training companies?

Ms KOSKY — I might have to get back to you on the actual numbers because I only have the percentages here. The numbers are not in the budget papers, so I will get back to you on that. I am not sure when the department met with the group training companies, but I know they were meeting with them.

Group training companies are in a way a little bit odd, I suppose, in all of this because whilst they are the employers, and they employ large numbers of apprentices and trainees — and Grant might correct me if I am wrong — as I understand it they do not have to have the application of payroll tax to their own staff because they are non-government organisations but they do for the apprentices and trainees. Is that correct? Maybe not. I will get back to you on whether that is correct or not. But because they act as the employer and then they put apprentices and trainees with host employers they are in a bit of a different position. They are very marginal organisations because essentially they carry the down time of apprentices and trainees, particularly of apprentices if they cannot get employment with host employers at different stages. So what we have said we will do with them is provide some extra funding for them in order that they are not disadvantaged, so we are still working through it for the group training companies. As I understand it, they will collect the payroll tax from the host employer but they will be given a subsidy back, which will mean that they charge a lower rate for the employers. So it will not basically alter what is happening with the group training, because the only other way of doing it was to have the State Revenue Office still giving them an exemption, which meant a having a system for a very small number of networks.

Mr CLARK — So in effect they will be given by way of funding an amount equal to the payroll tax exemption they previously had?

Ms KOSKY — We are still working through the detail of that with the group training companies and looking at what will work best for them — it is a small number, but they are really critical when it comes to particularly apprenticeships in rural communities.

Mr FORWOOD — You do not think anything will collapse as a result of the change?

Ms KOSKY — No. We are certainly looking at that very closely. There are probably a couple of the group training companies that are more marginal than others just because they are in more remote communities and so they have a bit more down time when host employers are not picking them up. We are going to make sure that that does not impact on them.

The CHAIR — I take to you budget paper 3, page 21, and the ministerial statement *Knowledge and Skills for the Innovation Economy*. I ask that you advise what progress has been made with this key initiative, particularly concerning the commitments to introduce degrees in the TAFE system.

Ms KOSKY — The *Knowledge and Skills for the Innovation Economy* was an opportunity, given the investments we have made in training, to look at where we needed to go to next. Clearly we had incredible growth within the training system with the number of apprentices and trainees and also in other areas of the vocational education and training system, but what we needed to do was look at where training was going to next and really the role of our TAFEs within that. So the statement outlined three key strategies to really drive the future directions for the vocational education and training system.

The first was reinvigorating TAFE. As you are probably aware, they had some financial viability problems earlier on. We had responded to those to a large extent, and it was really about the role that TAFE had to play in a system that now had significant numbers of private providers and private registered training organisations and ACE providers as well. So what was the role that TAFE had to play in that system? We wanted to look at developing new vocational education training products to deal with emerging skill areas and focus on that, and also coordinating the development of lifelong learning. So it was again fitting within the goals and targets we had established, and looking at a training system which responds I think very well to existing needs but which is not necessarily proactive always in identifying emerging needs and skill areas, and ensuring that we have skilled people in those areas.

A good example is the biotechnology area, where there will be a whole lot of subsidiary jobs. There are obviously the high level jobs, but there will be other jobs flowing from that and skills required, not necessarily required immediately but will be in the future if we are going to take advantage of that industry. There are other areas as well. So in my June 2002 statement we identified a number of changes that we are putting in place now. There is an innovation fund to the value of \$8.5 million. And because we were overdelivering so well in terms of our Australian National Training Authority agreement — the agreement we have with the commonwealth — we were actually able to use some of those additional funds to focus on what is still training but in some of these future areas

of need. The innovation fund: a total of 40 initiatives across 17 TAFE institutes which focus on areas of innovation, research and learning — that is at Bendigo Institute of TAFE — and an online initiative at Northern Melbourne Institute of TAFE, so really focusing on innovative packages and programs to respond to training.

A new product development fund has been set up for 22 new curriculum product development initiatives. That is really developing a curriculum around new products, and 14 new programs will be funded this year to increase participation in the schools-based apprenticeship and traineeship program. We were not travelling as well as other states in that area and wanted to put real focus on getting more schools-based apprenticeships and traineeships. We have also got TAFE institutes, through their performance agreements, to increase delivery to the 15-to-19 year cohort by 30 per cent, again fitting in with our goals and targets and particularly focusing on that 15 to 19 age group. Also we are promoting the delivery of manufacturing to small-to-medium enterprises with the \$1.7 million over two years allocated to fund six industry liaison agents. That is really about new products and emerging skills.

The six industry liaison agents are interesting because they will work with small-to-medium enterprises that do not tend to take up the opportunities, to customise training for them, work out how they can take that training to them and be incredibly responsive to the small-to-medium enterprises, bringing quite a few together in clusters to develop customised training packages. We also have a focus on the work force because it is an ageing work force, which is the case within teaching generally, but also we want to look at how update the skills of particularly the TAFE work force, which includes teachers and staff.

We have developed an industry exchange program because one of the criticisms that are made of TAFE staff sometimes is that they have been teaching for a long time and do not know what industry is up to. We will also have a TAFE centre which will focus on work force development issues and professional standards for TAFE teachers and other staff, and really promoting the professional standing of the whole of the TAFE work force. Also we are looking at how we manage the work force to meet international benchmarks. One of the TAFE institutes — the Sunraysia Institute of TAFE — was involved last year in a group called Investors in People, really benchmarking their teaching as opposed to the curriculum. They have achieved accreditation. We want to do more of that international benchmarking with our work force.

We are also developing specialist centres, with \$5 million, around areas of advanced manufacturing — food processing, building, hospitality — and a few of those are the Victorian Food Industry Centre which is at the Goulburn-Ovens Institute of TAFE but also involves quite a number of different food manufacturers in that area, including SPC-Ardmona, Taranto's Ice Cream, Kraft, Nestle — quite a few of them have come together for that centre.

The national centre of sustainability involves the Sunraysia Institute of TAFE and a number of institutes that are looking at issues of sustainability; I think it involves Swinburne as well and a few other players. The primary industry specialist centre at Northern Melbourne Institute of TAFE is interesting because it is focusing on fine industries initially — viticulture, deer, aquaculture, goats and research into the breeding of sheep that are appropriate for Middle Eastern markets. It is looking at some of the emerging areas and how we need to have skills there.

We are also allowing TAFEs to introduce degrees. I know that subject has been debated in Parliament recently, but we have brought TAFEs up to the same step as other private providers in that they can now provide degree courses. I do not know if anyone has been aware, again from reading Brendan Nelson's statement the other night, that they are also providing — I am trying to think of the number of places — the same number places they are providing for growth they are providing to private providers for HECS-funded places for the first time ever, as I understand it. There will be HECS-funded places for private providers, and that will allow TAFE institutes to apply for those HECS-funded places.

Mr DONNELLAN — I have a supplementary question. With regard to the viticulture studies at the Northern Melbourne Institute of TAFE, will that be a degree course?

Ms KOSKY — The TAFE institutes will have to apply and go through the same rigorous standards as other non-university providers do to get accreditation for a degree course. It has to be an industry-related area, and we have made that clear. We have not had applications in at this stage because it has only just gone through Parliament. I understand that NMIT is interested in looking at the viticulture area and a couple of the other agriculture areas that they do a lot of training in, and some of the degree courses there are particularly related to the industry. Obviously viticulture is a big area for them. They have three campuses — Yarra Valley, Eden Park and Ararat. They are looking at developing that in a much larger way and to have degree courses linked. Some of the

TAFE institutes will continue to do it in conjunction with a university, but in some areas if you look at areas of advanced manufacturing it is probably in an area that is not as well picked up by universities as perhaps it could be. It also caters for an overseas market where they want to do those advanced diplomas and build on to the training packages.

Mr RICH-PHILLIPS — Asking about teacher specialisation, the budget provides for 450 specialisation teachers over four years, so once they are on stream that is roughly one or one and a half teachers per secondary school. Can you tell us what mechanism is going to be used to allocate those teachers to schools and what you would expect the breakdown in specialisations to be; what areas are you targeting?

Ms KOSKY — I cannot at this stage because we are currently working through exactly how we will do that. We also have funding in our identified election commitments and some other funding has started to roll through in this budget for specialist centres. What I am wanting to do is to look at how you can have —

Part of the innovation for excellence work that is currently being undertaken in schools has started to identify those areas where they want to excel and get specialist staff in those areas. I am keen to look also at how schools can work with one another, that within a grouping of secondary schools — particularly metropolitan, partly in some of the more remote communities — where across a number of secondary schools that are close enough to provide —

Mr RICH-PHILLIPS — A sharing of specialties?

Ms KOSKY — Yes, they can provide a range of specialty areas for students so that students do not have to leave school. They may be able to get a very detailed IT program that is more than just what would normally be provided, but a very specialist area, and link that up with a very strong specialty across music in a number of schools. Not all schools can specialise in everything, but they do want to specialise obviously in some areas. Students need access to a range of those areas, depending on their interests, and that tends to develop through secondary skills. We are looking at how we can do that in a way that works to the benefit of the students getting broader access to specialist areas and getting schools to cooperate with one another probably a little more than they do at the moment.

Language is another area where some schools have developed strong expertise. The other issue is that you cannot always get the well-skilled teachers in every school but you can if you have a particular focus in a school. I was at a school in Ballarat the other day where we have provided some of the extra capital facilities — it has an amazing music program; it was quite astonishing — but it shares that with the other schools in Ballarat. Kids come from other schools to use its expertise in teachers as well as what will be a state-of-the-art music facility, with small rooms as well as band practice rooms and choir rooms.

Mr RICH-PHILLIPS — Has the department identified areas where specialty teachers are lacking, where there is a shortage of specialty teachers in certain disciplines, where classes are not being taught by appropriately qualified specialty teachers? Are there particular areas that need to be —

Ms KOSKY — You are probably asking the wrong minister for that. Minister Allan has responsibility for issues of the recruitment and retention of teachers, but I know that earlier this year there was an article in one of the papers that particularly focused on primary schools, not secondary schools.

We had the best run we have had in having teachers on board for the start of the school year. A lot of teachers said it was the system we had set up, which was a central system that schools could tap into and prospective teachers could also put their names into. We had a very good start to the school year. There are obviously some specialist areas, particularly in more remote areas, where there is difficulty getting people with the right qualifications, but Jacinta will be able to speak about that in more detail this afternoon.

The article in the paper about primary school specialists disappearing because we were focused on the P-2 class sizes was not correct. As I understand it all teachers in primary schools are employed as generalist teachers and schools make decisions about the specialties they provide. It was not correct. Primary schools still provide the specialties they decide to deliver on. We provided the extra teachers for the reduced P-2 class sizes so there is no reason that specialties have dropped. Certainly in the schools I go into I see specialty areas being taught all the time.

Mr RICH-PHILLIPS — In January the Minister for Education Services said the report on last year's recruitment program would be released this year. Is that —

Ms KOSKY — You will have to ask her this afternoon.

Mr RICH-PHILLIPS — She said you were going to release it though. She said it was a report you would release rather than her.

Ms KOSKY — On?

Mr RICH-PHILLIPS — On the recruitment program last year.

Ms KOSKY — I do not know why that would be the case, but I will need to get back to you if that is the case.

Ms GREEN — When you came out to Whittlesea Secondary College last year we had quite a discussion about post-compulsory pathways. I refer you to where this is discussed in budget paper 3 on page 20, which discusses the government support for the Victorian Certificate of Applied Learning. Could you please provide more details on the VCAL and its take-up rate by students?

Ms KOSKY — The Victorian certificate of applied learning was trialled last year and it was developed when we had the review done by Peter Kirby into post-compulsory education and training pathways. One of issues identified was that there were not enough options at years 11 and 12. It would be fair to say that while a lot of kids do well in the Victorian Certificate of Education and it works really well for them, not all students want to learn in a very formal academic way. Not all students do well at the VCE and a poor performance at the VCE does not open a lot of doors for you but doing another certificate might assist. A lot of students want to stay at school — they do not want to leave school and go to a TAFE institute or another provider — so we trialled the new Victorian Certificate of Applied Learning last year and it has been rolled out this year with 200 extra teachers that we provided for it.

It is going incredibly well, and the first take-up rate indicates that schools and students were incredibly thirsty for an alternative. VCAL is being delivered at 222 different centres this year — they are not all secondary schools. There are 168 government schools, which is just over half of our government schools providing VCAL this year; 32 Catholic schools; 18 TAFE institutes and 4 Adult and Community Education providers. We have approximately 5000 students enrolled in VCAL this year.

VCAL has four different strands. There are literacy and numeracy skills. We particularly wanted to make sure that English and maths were firm components of the new certificate, and students have to pick up a strand of literacy and numeracy from VCE, the certificate of general education or an equivalent. So there is a high standard of literacy and numeracy. There are skills specific to particular industries — the vocational skills that are focused on; general work-related skills, and they include all work placements; and personal development.

What has been interesting is that lots of the students I have spoken to say that they would not have stayed if the new certificate had not been on offer, so I am expecting and hoping that we will have an impact on the retention rates when they come through. We have also had kids returning to school to do it. In my own electorate we have students who had left school and have come back and been encouraged to do VCAL. A lot of students say that what they really like about VCAL is because some do not like to spend five days a week at school they get to do some work at TAFE institutes or with other providers and they like the work placements and the applied focus. Some students, once they have done year 11, have transferred and decided to do VCE so it has kept them engaged. We have made sure that it is not just a pathway through secondary school but that students can move across.

This year we are trialling what are called senior VCAL areas, and we have 19 pilot projects. They are in three categories. One is themed VCAL, which focuses on specific industry areas. We have 13 projects looking at whether you can develop a VCAL which is specific to an industry area, and there are some exciting initiatives, including in the film industry. We also have a VCAL for diverse needs, and we are focusing on Koori students and students from a refugee background.

Particularly with Koori students we are looking at developing a VCAL which relates to their culture. We also have a VCAL senior extension program, which is a year 13 — or actually a year 14 — for students in which to examine portfolio development opportunities. A student might want to go to RMIT to design but their portfolio is not as well developed as it might need to be because entry is not just based on an exam result — they also need a detailed portfolio. This certificate is focused on developing that.

It goes back to the specialty area, and some schools have all of the specialty equipment and facilities for students to develop fantastic portfolios but others have not. I was speaking to a girl the other day who was desperate to get into

the fashion industry. To get into RMIT you have to have an ENTER, or equivalent national tertiary entrance rank, score. She does not want to do VCE and doing the senior extension VCAL would allow her to get in through her portfolio rather than through her ENTER score.

It is going very well and I suppose time will tell about the take-up. People have often asked whether it is like trade school, or the old tech schools. It is not because it builds on what students have already learnt in mainstream schools, and it allows movement between and is focused on emerging areas of need. If we had not had the vocational education and training program put in place under the previous government, which has been incredibly successful, and we had not had the Australian Qualifications Framework, VCAL would not be possible because we would not have a credential that counted as credit towards other courses. With all of that in place VCAL was the right step. The recent Business Council of Australia report identified VCAL as being a fantastic initiative. It complained that it was not a national initiative, but innovations start small.

Mr FORWOOD — I refer again to page 204 of budget paper 2 about output initiatives, and in particular to the line ‘General efficiencies in government administration’. If you look at the chart you will see that for each of the next four years the amount required in ‘General efficiencies in government administration’ is \$31 million out of the \$141 million. For that to happen, one would assume that you must have your decisions in place at the start of the forthcoming financial year, otherwise it would be skewed — there would be less in this financial year and more in later years. That leads me to conclude that you know where you are going to make your \$31 million in general efficiencies, and I wonder if you could tell the committee where.

Ms KOSKY — It is worth saying that the \$31 million for education, which is part of the savings across government, is only 0.5 per cent of our total budget, so it is a very small amount of our total budget. We will make it as we have made other efficiencies. It will not affect students in schools; it will be made in areas of consultancies and contractors — we are reviewing those areas and bringing them back into line — communications and programs where there is overlap and duplication. Every few years we look at programs and whether there is duplication of them. We also look at how we can get better efficiencies centrally. It is worth saying that because of all the initiatives we have put in place — and there is always a percentage that goes in centrally for the administration that adds up, particularly given the budget we have put back into education — essentially it is reviewing that, looking at where people previously did another job and given our goals and targets where the focus has changed. We are currently in that process. We have not identified absolutely every part. We have made some across-the-board savings. We have identified cuts in consultancies and contracts.

Mr FORWOOD — Do you have a target amount? The \$31 million will include \$5 million in consultancies?

Ms KOSKY — We have percentage reductions in different areas.

Mr HEHIR — I think it is very difficult to comment in detail about how these savings in particular areas will be achieved. While we have worked up implementation plans, to announce them here before we have been rolling them out and discussing them with staff who might be moved from one job to another as a result would be very inappropriate.

Mr FORWOOD — Because I am very sensitive to bureaucrats saying no to parliamentary committees what I would suggest is you make that information confidentially available to the Chair. I really think in circumstances like this that that is not an appropriate answer.

Ms KOSKY — We still — —

Mr FORWOOD — I understand his point.

Ms KOSKY — To be fair, we are still working through some of the issues. For some of the areas such as consultancies and contracts we can provide that detail — we have set a target for reduction in those areas. Then we are looking at some other areas of duplication where we want to refocus attention. You know what the public service is like — people work on particular jobs for quite some time. If we want to shift the attention that does not mean the program is going to finish but it does mean there will be a shift in focus. For example, the local learning and employment networks. We established that we had — I will confirm this — but I think it was six staff centrally. It is now not appropriate to have that many people centrally focused on that activity. It may be that in that instance that we will shift some people across when positions become available somewhere else. It does not mean that that person goes, but it means that that function does.

We are reducing the amount of support that is given to the local learning and employment networks now they are up and running. Obviously we will look at doing that with the Victorian Certificate of Applied Learning a little bit further down the track. We will also look at doing that with the early years numeracy. When we did all the research there was a lot of detailed work that was done around that so we needed to bulk up the number of people working on that. That is not necessarily appropriate — you do not need that level of people working on that. We are looking at that in detail at this stage. That has to go to the Expenditure Review Committee and to Cabinet, so while we would dearly love to provide it to the Chair — —

Mr FORWOOD — That is a different answer.

Ms KOSKY — However, we can provide the figures for consultancies and contracts and where we are reducing them, as you do over time. Media monitoring is another area; we have shifted to another company to do the media monitoring. The previous company was quite expensive because of the way it did the media monitoring. We are now getting it over the Net from another company, and it is at a cheaper cost.

Mr FORWOOD — You would not care to tell us how much the savings in media monitoring would be.

Ms KOSKY — I was disappointed you did not ask the question.

Mr FORWOOD — How much have you spent on media monitoring and what will the savings be this year?

Ms KOSKY — Fancy asking that. We utilise two companies for media monitoring — Reham for electronic news lines and transcripts, and Media Monitors for the daily press clipping service. The electronic news lines are delivered by email at various times during the day — the frequency depends on the number of education issues running through that particular day — and transcripts are provided when requested. The press clippings service is delivered by an electronic method via an internal intranet site. The department migrated to this method to deliver the service to a wider group. If it had not, it would have incurred substantially higher costs such as increased copyright costs, which goes back to a previous issue. That would not have been sustainable with the previous method of delivery, which was multiple hard copies. The costs incurred by the communications branch budget for 2002–03 to date for each are Reham \$87 667 and Media Monitors \$86 927. We have made recent changes to the press clippings service which will result in less duplication and in turn reduce overall cost. I do not have the target on that, but I can probably provide that.

Mr FORWOOD — It is not going to go a huge way to your \$31 million.

The CHAIR — They all add up.

Mr FORWOOD — I am not criticising you on making savings on media monitoring.

Ms KOSKY — As you know, it is often in smaller areas — there is a whole range of areas where you get efficiencies. You do not usually get the big bang, you get it right across the board. They will still be giving me pens to write with.

Mr DONNELLAN — I refer to page 469 of budget paper 3, which specifically goes to commonwealth specific purpose grants. Can you provide advice on the impact of the commonwealth budget on the funding for school education in Victoria?

Ms KOSKY — The commonwealth budget was not very kind to school education. Essentially what is in the commonwealth budget for schools is the rollout of the commitments made previously by the federal government — there is no real increase to Victorian government schools above cost indexation so it is an increase of 7 per cent. Contrast that to the payments to non-government schools, where the increase in funding is 10.3 per cent. The increased funding arises from the phasing in of the commonwealth's socioeconomic status model, which we would say is flawed, which will be fully implemented in 2004.

It is worth contrasting that with what we as a state are putting into government schools. The commonwealth minister tends to be a bit cheeky and talks about percentage increases; if he talked about quantum he would be more embarrassed. The Victorian government schools funding is budgeted to increase by approximately \$580 million on the 1999–2000 levels. By contrast, annual commonwealth funding to Victorian government schools is budgeted to increase by approximately \$110 million. That is an increase of \$110 million from the commonwealth compared with \$580 million extra from the state. In this budget we are going to spend an additional

\$67 million on government schools. The commonwealth has budgeted to increase funding to government schools by only \$29 million in 2003–04; I suppose that it suggests where its priorities are.

Can I just come back to the point about outcomes, because we have heard a lot about outcomes. We are really fighting uphill to achieve the improvements in educational outcomes that will essentially be achieved through government schools, in part through the Catholic system which is a much broader system but through government schools. When you look at those figures they demonstrate that it is really the state that is funding those overall educational improvements that we all benefit from.

Mr DONNELLAN — By way of a supplementary question, you talked about the impact of the commonwealth budget on school education now, and previously on higher education. Can you provide advice to the committee in terms of the impact of the commonwealth budget on vocational education and training in Victoria?

Ms KOSKY — There are two other areas in the commonwealth budget which relate to education and training. The first is vocational education and training, which is the same essentially. In the state election campaign we indicated we would put \$60 million into TAFE over the next four years. Our money is conditional on the commonwealth matching it and at this stage it is not looking at all good. The commonwealth is offering no additional funding other than indexation for the negotiation of the new Australian National Training Authority agreement. We got the letter on budget night. Basically they are just going to roll over indexation.

As I have said, we have committed that \$60 million. We did not put it in this budget because I wanted to have negotiations with the commonwealth, but it is conditional on matching and it is not looking particularly good. The \$30 million offered to Victoria for the commonwealth priority training areas is not new money, it was announced as part of the commonwealth government's welfare reform measures in previous budgets. I would like to touch on this — someone might like to ask a question on it at a later stage, but there are major changes to international education which will have implications for training, for schools and for higher education, so there is a lot of hidden pain there for international students. I mention it now, but it is of major concern to us.

Mr CLARK — I follow on from Mr Forwood's question about savings. You referred to savings through reduction in communications and related expenses. If we look at page 44 of budget paper 3 we see that the output cost of public information and promotion was targeted for the current year at \$7.1 million and has been sustained at that higher level for 2003–04. I question the extent to which savings are going to be made in that area, given that there is a continued increase in the budget for that output.

In particular I want to refer to what is now called *Education Times* and the edition of 1 May which you may recall, Minister, has quite a large photograph of yourself and the Premier on the front page, and I believe a number of other photos of you and other ministers are scattered throughout. We will not comment on the merits of the particular photograph, but it seems to me that this is in breach of the Auditor-General's guidelines that state material should not be personalised or directed towards self or party-political image building, whether explicit or implied. Particularly in the context of the cuts you have to make and the savings you need to make in the communications and information area, how much are you planning to save in that area, and will you ensure that in future the *Education Times* complies with the Auditor-General's guidelines?

Ms KOSKY — Can I say the *Education Times* does comply with the Auditor-General's guidelines. I do not know if I am supposed to wear a mask when I go to schools and have my photo taken, but I am not keen on masks. I think it is absolutely appropriate that I wear my own face when I have my photo taken as Minister for Education and Training, as it is appropriate for the Premier, and that was a major announcement.

We have, if you look through past *Education Times*, made major changes. I think you will find my photo in the *Education Times* rarely. It is not often there and it is not on many pages. It is about major changes in education, and I am very happy about that. It is not about self-promotion at all. We have changed what we provide within the *Education Times* so I am not concerned about that at all. We did research last year because I had concerns about whether the *Education Times* was being used by schools. I do not have before me the research we did, but I was surprised by it. It shows two out of three teachers read it at different times. They read it for different things.

Mr FORWOOD — They were looking for a job from somewhere!

Ms KOSKY — And some of it is for the jobs. We have looked at how we can provide the jobs differently, whether we can provide that over the Net. At the moment we cannot, so we have to provide it through a mechanism which meets the needs of teachers. We asked them what they were looking at the *Education Times* for and I was

surprised, because they do look at it for stories. While it continues to be of value for schools we will continue to provide. If it loses that interest within schools or if we can provide it in a better form then I am happy to do that.

When it came to class sizes, I think it was reason for celebration. I must say I am not on the editorial committee so I see it at the same time you see it, when it comes out, but it was a cause for great celebration in relation to the P to 2 class sizes, and certainly schools are celebrating.

If you look at the other areas you see that we do have reader satisfaction with publications — 95 per cent, so it is very high. Customer satisfaction with quality of telephone information service is 95 per cent. We cannot stop answering telephones and providing information over the phone to people. Some of it is to do with publications, published online; but essentially that is what that information is and the detail is shown at the top. A lot of it is information that is disseminated to different organisations about what is happening in the department, without which we would have to find another mechanism to provide some of that detailed information. Jobs are one of them. It is also about different programs that are on offer, different processes for tender with technical and further education in the training area. We have to provide it some way; we do it on the Net but we also do it in written form for some of those who do not have the same access to the net.

Mr CLARK — How much are you spending on *Education Times* each year, and are you planning to make cuts in the communication sector output as part of your \$31 million?

Ms KOSKY — I would have to get back to you on the figure for *Education Times*. I understand we reduced the number of copies that were going out with *Education Times*, or we certainly investigated doing that. It is also partly self-funding through advertising. But we can look at that. The second part of that was?

Mr CLARK — Overall are you planning to make some of your \$31 million cuts in the public information and promotion output group, or is the \$7.1 million figure after you have made any proposed cuts?

Ms KOSKY — Post savings?

Mr CLARK — These are pre-cut or post savings?

Ms KOSKY — These are post savings.

Mr CLARK — So these incorporate the savings you intend to make?

Ms KOSKY — Yes. It is worth saying one of the promotional activities we had last year was around recruitment, and we paid a fair bit for that recruitment campaign, but it was absolutely worth its weight in gold for the number of people we had registering for teaching positions and we were subsequently able to provide to schools, which meant we had a great start to the school year. There are major benefits, and we will continue to do that in order to make sure that we get those kids with teachers in schools. That was a particular one last year in order to encourage people back into the teaching profession, but it worked.

Mr RICH-PHILLIPS — Do you know how much it cost, offhand?

Ms KOSKY — From memory it was \$2 million.

Mr HEHIR — I just want to clarify the post-cut. The \$30 million is built into our budgets and therefore is built into our output budgets, and we did that at the time the decision was made and we were informed of these things on the basis of our first run-through of where it would be applied. As the strategies get developed the finetuning of that might mean that where we apply it to individual outputs might change through time as the strategy gets developed. The budget came down — —

Mr FORWOOD — Too early for you?

Mr HEHIR — No.

Mr CLARK — But this \$2 million presumably was not part of the \$7.1 million that you spent last year, was it?

Ms KOSKY — I will have to get back to you on that, I am not sure. I think it probably was additional to that, but I was just making the point that all of the campaigns we run are for very good reasons, but that was a specific one which really did assist.

I want to clarify something I said earlier in relation to the HECS-funded places. We have since had information that TAFEs approved for degrees will not be able to utilise HECS-funded places; they will only be available to other private higher education providers. But we will be able to utilise the higher education loan program (HELP). It states here there will not be HECS-funded places available to private higher education providers including TAFE, it will actually be through the loan scheme.

Ms ROMANES — I refer to international education output on page 43 of budget paper 3. Can you tell the committee how Victoria is performing in terms of export of education services relative to other states and territories?

Ms KOSKY — We are doing extremely well with international education. In fact we take the lion's share. We are doing extraordinarily well in international education in schools, in VET and in higher education. In fact it is worth around \$1 billion to the Victorian economy, so it is of major benefit to the Victorian economy as well as of benefit educationally.

A recent national survey indicated that Victoria has 31 per cent of Australia's international higher education students, 43 per cent of the vocational education and training students from overseas, and the highest proportion nationally of international student enrolments in schools with 43 per cent of the enrolments of international students in government schools and 34.6 per cent in non-government schools. We are well and truly leading the way and the recent annual reports of the universities tabled in the Parliament demonstrate what each of the universities is doing.

When we look at some of the changes made or identified on Tuesday night around international education, what is of concern is that there will now be much higher fees for international education. They were a bit hidden, but I will refer to some figures to give you a sense of what it may mean, and it may have an impact on the international education market. The commonwealth budget papers talk about promoting international education. Indeed in the Treasurer's speech he talked about that as a focus with \$113 million-worth of initiatives. The commonwealth is only going to provide \$10 million towards that \$113 million of initiatives. So where does the rest come from? It comes from increased taxes and charges — the opposition may be interested in this because it is concerned about increased taxes and charges — that will be levied on the international education industry, including increased education services for overseas students, fees paid to the commonwealth by providers and increased visa and associated costs. It will be huge. I double-checked on this yesterday because it sounded outrageous to me. Monash University currently pays \$8200 for the education services for overseas students, or ESOS, charge. It will now pay \$250 000, so it is a shift from \$8200 to \$250 000. It put out a press release yesterday about it. RMIT has got similar rises, although they are a bit lower. It is just a demonstration that it really is smoke and mirrors to talk about \$113 million-worth of initiatives and only providing \$10 million. I am sure if I tried to promote something like that here I would be questioned about it. We are concerned about the impact of that.

I was asked before privately about the impact of severe acute respiratory syndrome, or SARS. Obviously if that continues it will be an issue we need to address because the bulk of our market is from the Asia-Pacific region as well as from the Middle East, so there are some issues there.

At the moment we are still seeing major increases, which is terrific, and I think in part too because our universities and TAFE institutes have provided facilities overseas as well. So it is not just trying to get people here, it is about trying to provide services overseas and also have students from here travelling overseas. We have seen some marked increases in domestic students who as part of their course are now studying overseas — and I think we lead the way in Australia on that as well.

Mr CLARK — I come back to your earlier criticism of the *Herald Sun* article on loss of specialist classes at primary school level. As I recall your answer you said that criticism was misconceived because teachers at primary school are all generalist teachers.

Ms KOSKY — They are employed as generalist teachers.

Mr CLARK — As I understood the point of the *Herald Sun* article, it was saying that in order to make up for the class size reductions there was a need for schools to shift some of their teaching force out of providing specialist classes, such as arts, music or library. There does seem to be some support for that at page 27 of budget paper 3 where, if one looks at the changes in average class sizes and compares that with the changes to the teacher–student ratio, the change in the teacher–student ratio from 2001–02 actual to 2003–04 target is quite modest: a change from 1:16.6 to 1:16.3, whereas the class size reduction for years P–2 is from 22.4 to 21, and for years 3–6 it is from 25.2 to 24.8. That suggests that some of the reduction in class sizes, indeed a significant part of the reduction in class sizes, must be coming from somewhere other than increased teacher numbers. It would seem that

a large part of that reduction must, by the process of elimination, be coming from schools removing some of their specialist teaching classes, such as arts, music and library classes, in order to free up staff to staff the classrooms. Can you respond to that?

Ms KOSKY — If you look at the P-2 class sizes in 2002-03 to 2003-04 you are looking at incredibly small shifts there in terms of the teacher-student ratio — 0.8 of a shift in the last year to achieve the 21 target. We have put in \$299.5 million — I am not sure that figure is correct; we will check that. We have put in the extra money for the extra teachers required to reduce P-2 class sizes. The teacher-student ratio is coming down as well. It was the subject associations that had encouraged or supported that story, and it was in those particular disciplines of music and art where they would like teachers to be employed as specialist only rather than generalist teachers who then perform different functions within a school.

I have no evidence at all that in fact there is a reduction in specialist programs because of the government's commitment to lower class sizes. Schools make decisions themselves. If schools are making those decisions then it is appropriate. Some schools decide not to provide every specialist area. That is their choice and they do that in conjunction with their school community. They change them from year to year. But we have provided the extra teachers to reduce the prep to two class sizes. We have modelled that and provided the extra money for schools. So there is no evidence that that is the case.

Mr CLARK — But if the class sizes are falling and the average teacher-student ratio is changing very slightly — —

Ms KOSKY — Falling.

Mr CLARK — But by 0.3 per cent compared with a 1.4 per cent reduction in P-2 and 0.4 per cent reduction in years 3-6 comparing 2001-02 to 2003-04. The numbers just do not add up. Where are these teachers coming from to make up the reduced class sizes if the overall teacher-student ratio has only fallen by 0.3 per cent?

Ms KOSKY — I am not sure whether we include all the extra support staff. I do not know whether numeracy coordinators are incorporated into these figures, so I will have to get back to you. I know we have put the extra resources in. I am not sure if we count in the teacher-student ratio some of those extra supports that we have put in that actually add to that as well. I will get back to you on that.

Mr CLARK — If you could give us a reconciliation it would be useful.

Ms KOSKY — Could I just give you the figure referred to before: we have put in \$261 million for the reduction of class sizes.

Mr CLARK — Per annum?

Ms KOSKY — No, overall. We did that in two tranches, or two different budget commitments I should say.

Mr DONNELLAN — I refer to page 24 of budget paper 3 which refers to the need to facilitate re-entry to the work force of those workers who have been made redundant. Can you advise what the government is doing to assist in that area?

Ms KOSKY — Sorry, I did not pick up the number.

Mr DONNELLAN — It is with regard to the Skill Up program; how is that going to work and assist people to get back in?

Ms KOSKY — You would be aware that previously when we have had retrenchments or redundancies within companies we have used some of the funding that has been provided through the employment programs and also through training, so we have pulled it together in the past and had a quick response. What we have decided to do — and we made a commitment in the election and have now funded this through the budget — is start a new program that provides \$5 million over four years for a rapid response program to retrain and support workers who have been made redundant as a result of a major industry downturn or workplace closure.

Often the people we are talking about are unskilled, so they need both extra skills and support in getting back into training because they are not people who have had positive experiences or stayed a long time in education, and in some instances they are people whose English is not a strong language. So we have put \$5 million into the

program. It is estimated that 600 people will receive retraining assistance in 2003–04 and 1200 people in subsequent years to 2006–07. It will operate in metropolitan Melbourne and regional Victoria and will cover retrenched workers in all age groups, and older retrenched workers will benefit particularly.

Workers participating in the program will receive an average of 80 hours of training as well as exemption from the normal TAFE tuition fees, so we are trying to do all we can to encourage them to take up training options. The Ansett collapse was a somewhat different case, but often you are talking about people who are not very skilled at all, so their opportunities for getting other employment will be on the basis of getting that training; but there needs to be encouragement to get them into the training, and we will be trying to develop, through particular TAFES, some very specialised packages for those groups of workers so that they are not going off in different directions, because often there is a strong camaraderie between them.

The Ballarat Adult and Further Education Centre had a program in place for one of the local companies that was having a reduction in its workers, and because they worked closely with the employees before they actually lost their jobs, I think they got around 90 per cent of them back into work in a very short space of time, so it is a very successful program. That was in part because they were able to act quickly and early rather than several months afterwards, and of course the longer people are out of work the less likely they are to take up opportunities.

Mr RICH-PHILLIPS — Minister, I would like to ask you about asset disposals. Page 20 of the departmental response to the committee lists a number of properties which were disposed of during the year, the majority of which were school sites. Altona Green Primary School, \$2.3 million; Avondale Secondary College, \$1.4 million; and I see my own primary school was disposed of for apparently \$44 000 — and the grand total of these sales was \$4.7 million. I am wondering whether you can provide the committee with a list of what properties the department expects to dispose of in the coming financial year, 2003–04. I have corresponded with you with respect to the proposed Timbarra Secondary College site — —

Ms KOSKY — As has Mr Donnellan; as have a number of other people.

Mr RICH-PHILLIPS — He may have received a response, because I have not, as yet. I hope in due course I will get a response on that, indeed as does the Timbarra Progress Association. Is the department able to provide a list of the sites that it expects to dispose of this coming financial year and, if possible, provide expected proceeds from that? And also, with respect to the proceeds listed in this table, can you explain, for example, why the Narre Warren Primary School proceeds are listed as only \$44 000 for that site. Why would that be?

Ms KOSKY — I cannot. I would have to get back to you on that. We have a very large asset register. My guess would be that that is a very small parcel of land, but I will get back to you on that. We have old school sites, we have land that we have purchased in anticipation that there may be a need for a school on that site, and Altona Green is one of those sites. I know it well because it is in my electorate and I came to an agreement with a former Minister for Education, Phil Gude, about the appropriate way in which to deal with that.

In part we purchase land when there is population growth, but you do not know what that population group will look like necessarily. It can be younger families, older families or a mix, and we make decisions on whether we build schools on the basis of that age population at a later stage; but we buy in anticipation. Sometimes that does not come to fruition. In fact the school-aged population might locate somewhere else. I think the Berwick site is a case in point there, and it was a smaller section of land, but I will need to check that.

We also sell parts of land that are no longer used. Again with some schools there are awkward pockets of land and they want to excise a piece of land, and we sell that. We do it in conjunction with the school community and the asset proceeds go back into our capital works program to either purchase other sites or on capital works facilities. So each one of them has particular issues, but it is a very large portfolio. I would have to take advice on whether I can provide the detail of the sites that we are anticipating selling because there may be some issues of commercial confidentiality that I would have concerns about putting in the public domain at this stage. We work with schools in detail and, as you would be aware, we do not close schools without agreement with school communities. Unlike the previous government we do not do it to schools, we do it with them, and there have been instances where there have been mergers of schools and assets sold at a later stage.

It is a detailed portfolio. Some amounts are small, some are large when the properties are sold. Some are contentious, some are not at all. And we have a different response in each of those areas. Timbarra is an area where we are trying to work through some of the issues. As you would be aware, the anticipated long-term enrolments are not as high as to meet the criteria of 1100 students, which was the figure that both we and the previous government

had as well for a proper sized secondary school which is then able to provide all the different offerings which you would want.

We focus on these issues from an educational need point of view rather than building a facility. There are some options with Timbarra, understanding that the community, and certainly I, have been well informed by Mr Donnellan about local issues of younger students not wanting to travel and not being able to get into the closer schools.

At Somerville we looked at a years 7 to 10 campus in conjunction with another school, so we have a range of different responses in relation to different sites, but my bottom line is ensuring that wherever we build schools, the educational provision is sufficient to meet the real educational needs of the students and it is not just a knee-jerk response to local concern. I understand local concern because I had it in my own electorate but you have to look at the broader educational provision. We had it at Frankston too and it is often difficult to sell sites when people get used to some open space, but certainly we budget for a certain number of sites but we do not necessarily identify every site in that process. It is such a large area, and on the basis of history we are able to assess how much revenue we are likely to receive, but the sites themselves change at different stages.

Mr RICH-PHILLIPS — Do you have a time frame for resolving the Timbarra issue?

Ms KOSKY — Not at this stage. I do not. I will follow up. If you have written to us I will follow up. We are working through with the City of Casey on the Timbarra site. The portion of the site not occupied by the primary school has been declared surplus to educational requirements. The City of Casey has indicated an interest in purchasing a portion of the site for community recreational purposes and we are working through that with it at this stage. It would require, as I understand, a change to the council's planning scheme.

Mr RICH-PHILLIPS — From education zoning?

Ms KOSKY — Yes, that has to be the subject of local consultation as well.

The CHAIR — Minister, thank you very much. That concludes the consideration of the budget estimates for the education and training portfolio. I thank the minister and the departmental officers in attendance today. I also thank Hansard. It has been a very useful and informative session. There are a number of issues that we will be getting back to you on.

Witnesses withdrew.