

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2016–17

Melbourne — 10 May 2016

Members

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Dr Rachel Carling-Jenkins	Mr Tim Smith
Mr Steve Dimopoulos	Ms Vicki Ward
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Witnesses

Mr Steve Herbert, Minister for Training and Skills,
Ms Gill Callister, Secretary,
Mr Craig Robertson, Deputy Secretary, Higher Education and Skills Group, and
Mr Peter Graham, Acting Executive Director, Resources Strategy Division, Department of Education and Training; and
Mr Tim Ada, Executive Director, Sector Development, Department of Economic Development, Jobs, Transport and Resources.

The CHAIR — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2016–17 budget estimates. All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Training and Skills, including international, the Honourable Steve Herbert, MP; Gill Callister, Secretary of the Department of Education and Training; Craig Robertson, deputy secretary, higher education and skills group; Peter Graham, acting executive director, resources strategy division; and from the Department of Economic Development, Jobs, Transport and Resources, Tim Ada, executive director, sector development. I would also like to welcome additional witnesses sitting in the gallery. Any witness who is called from the gallery during this hearing must clearly state their name, position and relevant department for the record.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Comments made outside the hearing, including on social media, are not afforded such privilege. Witnesses will not be sworn but are requested to answer all questions succinctly, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

Questions from the committee will be asked on a group basis, meaning that specific time has been allocated to members of the government, opposition and crossbench to ask a series of questions in a set amount of time before moving onto the next group. I will advise witnesses who will be asking questions at each segment.

All evidence given today is being recorded by Hansard, and you will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, presentations and handouts will be placed on the committee's website as soon as possible.

All written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way. Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I now invite the witness to make a very brief opening statement of no more than 10 minutes. This will be followed by questions from the committee. Minister.

Mr HERBERT — Thank you, Mr Pearson. It is a pleasure to be here. If you will excuse me, my normal upbeat enthusiasm for training may be a little bit mitigated by this flu that I have. If I break into coughing fits, I am not stalling for time, I am just coughing, okay?

Mr D. O'BRIEN — No excuses given, no quarter offered, either, Minister!

Mr HERBERT — Always go the sympathy vote!

Ms SHING — But does the opposition have an excuse for its lack of enthusiasm about this record budget, Minister?

Visual presentation.

Mr HERBERT — Can I just say, beginning with a bit of a snapshot, the purpose of VET in any system, particularly in our system, should be to supply the skills that our workforce needs, provide productivity for industry, support job growth and provide pathways to further study. I will just begin with a bit of a snapshot about where the economy is, where Victoria is, in terms of where we need to position ourselves and how the budget positions us for our skill needs.

As you will be aware, in Victoria's economy we have got 3 per cent growth forecast over each year. It is the fastest growing state in the nation. We are also experiencing the fastest growing structural change in the nation, and that structural change means that our skills mix of our workforce needs to be seriously looked at now and in the future as we change industries, as the services sector expands, as construction activity expands and as other activities where people have had traditional skills change and go slower and people need to be upskilled.

It is in that context that skills and training need to be looked at. It is in the context of the 112 000 jobs that have been created since we came to office. Can I say that in terms of this budget, training and skills fit in with the

broader budget picture. We know that there is a massive increase in funding — I am sure you have received this information from the Treasurer and the Premier — in hospitals, schools, jobs, transport and areas of quality of life. There is a massive infrastructure investment of \$7.4 billion a year over the next four years.

That investment means that we need to look at our workforce needs, and in particular we need to train people for that. We are well positioned. We have seen a 5 per cent increase in new apprenticeships course commencements over the last year and a 14 per cent increase from 2014 in course commencements for construction apprentices. That is a good starting point, and we will move forward on that.

We also have new industries. The NDIS and the disability-related initiatives that are coming forward, and the family violence royal commission and the \$572 million over three years overhaul of our system, will require specific training needs and changes to our training system in terms of meeting the additional workforce needs of those two areas alone. That is something for which we will need to have a much more interventionist approach in directing the market to make sure we meet those workforce needs of the NDIS and the family violence royal commission.

That is where we are. Our aim is to have a high-quality training system that provides the skills for jobs and for industry. We particularly want to make sure, though, that no-one gets left behind in this growth scenario, and so we need to provide funding in terms of disadvantaged students and ensure that there are basic skills and social inclusion for the unemployed — that their needs are met.

The system has come from a low base. There is no doubt that it was a bit shambolic when we came in, and it continues to be hit hard by VET FEE-HELP, for instance, a commonwealth scheme. I will talk a little bit later, I am sure in questions, about other issues, but just in relation to VET FEE-HELP, I understand that about 40 000 students took on VET FEE-HELP in 2015 without any VTG support. These are students who may have otherwise done an apprenticeship or traineeship. That is impacting on the system. With the federal election, clearly both sides of politics, all sides of politics — we have Greens and Independents here — have an issue with VET FEE-HELP, and we will see what happens after that. There will clearly be change in commonwealth government policy, and that will need to be factored into where we go.

You will notice that the initiative has changed to the output measures. There are changes to training, higher education, workforce development and skills output. This is in recognition that there is a direct link between skills and jobs and workforce needs and that we need to prioritise our training system towards the needs of industry and the needs of our economy. Also of course there are new output measures in the budget related to TAFEs and the role they play in our state, and that is in line with our election commitment and the measures we have taken since coming to office.

In terms of developing a stronger training system, clearly changes in the past have damaged employer and student confidence, and in fact we are doing some very heavy lifting in terms of ascertaining student and employer views, and it is not good. So we are intent on trying to rebuild confidence in our system. We have appointed the Victorian skills commissioner to provide linkages with industry. We are having a more targeted pathway in terms of the Victorian Training Guarantee. We are establishing skills and job centres — one-stop shops, easy access for people to be able to access TAFEs.

We are cracking down on quality. In fact I released a training market report finally yesterday. I say finally because we have been waiting on information from a range of sources. That shows that about half of the decline in enrolments comes from our quality crackdown, a significant crackdown that we have had in terms of stopping the rotting that has been going on in our training system as part of our measure to (a) protect taxpayer funding and (b) improve confidence in the quality of our training system.

When it comes to apprenticeships, however, there is good news. We saw, as I say, a 5 per cent increase in apprenticeship commencements last year. They have gone from about 14 590 in 2014 to 15 285 in 2015. That is the highest in three years, incidentally. As I say, in the construction industry apprenticeship commencements have grown by 14 per cent. We had the Mackenzie report into VET, the most significant report into our training system that we have had probably forever. We are right in the process now of driving those reforms through consulting with stakeholders, developing new systems and modelling the impact of those systems on our training budget. Of course, as I say, when it comes to VET FEE-HELP we are working with the commonwealth and we will work with whoever is in government after the election to ensure that VET FEE-HELP assists with

training, that it does not hinder and does not disadvantage particularly vulnerable people by being ripped off by unscrupulous training providers.

In 2015–16, of course, our commitment is to rebuild TAFEs. In terms of the finances of last year, TAFEs recorded at the end of the calendar year — we do annual reports of TAFEs on a calendar year — a \$25 million surplus. That is in stark contrast to the 52.5 million deficit that was there the year before. In terms of market share, they did not improve their market share but the decline that has gone from about 60 per cent in 2010 down to about 31 per cent in 2014 and stabilised at 30 percent in 2015 and they maintained their market share in 2015, in a year of declining overall training nationally, which was a good outcome.

We will continue to maintain our focus in terms of reforming the VET system, in terms of cleaning it up, in terms of restoring faith in the qualifications and the credentials that we have in our training system. We will continue to work with industry about the needs of our workforce both now and in the future and for future industries. I should note that Mr Neil Coulson, the new Victorian Skills Commissioner, has already conducted over 90 meetings — with government, industry, students, providers, unions — across metropolitan and regional Victoria. We are supplementing that industry engagement in this budget with a \$14 million boost over the forward estimates for industry engagement.

International education is a great boon for this state. We are absolutely leaping ahead. It is worth 5.6 billion to our economy. We had a 12 per cent increase in student numbers last year, up to 175 000 students. Thirty-one point nine million will support a new international education strategy that we have done — which builds on the former coalition one. I think it is an area that we have in general agreement. We are looking at going into new markets. I will be going to Jakarta tomorrow to try to rebuild those markets there. One of the impacts of the high Australian dollar at \$1.05 meant that markets in international education, that were price sensitive, dropped out. At 73–74 cents, those markets, particularly in South-East Asia, are coming back, and we need to work on those markets to improve our market share and improve students coming from there.

We are working on disadvantage in terms of a program for young people. In this budget there is the \$20 million Reconnect program, \$14 million for programs to specifically re-engage people in training and \$6 million additional for a 10 per cent VCAL loading, to help those kids out and community providers that need extra assistance.

We are improving facilities across the state. This budget will see \$10 million in the Monash University Alexander Theatre and surrounds precinct. That precinct has something like 600 000 people go through it each year and 100 schools, community groups and cultural groups use it each year. It is a major community resource and we will be supporting that.

As I say — I think my 10 minutes are just about up — we intend continuing, cracking down on low-quality providers, stabilising the TAFE system, rebuilding our community and our industry engagements, having a new funding system that is more managed but is also competitive, and positioning Victoria so that we are ahead of the rest of the country, not just in training and skills but also in international education. I think that is about my 10 minutes, Chair.

The CHAIR — Thank you, Minister. We have now got 11 minutes of questions from the government.

Ms WARD — Thank you, Chair. Welcome, everyone — welcome, Minister. I refer you to page 5 of your presentation relating to training and also to budget paper 3, page 185. There are a number of performance measures laid out on that page that relate to training activity. Can you please outline for the committee the factors that have contributed to the lower-than-expected results for these measures?

Mr HERBERT — Yes, sure. Thank you, Ms Ward. There is a range of factors that have impacted, some of them nationally. I mean, we know that figures across from NCVET data from September — we have not got the full year yet, but they are showing a decline in training activities nationally. When you have a look at the decline in training across Victoria, there is a number of factors that we know are definitely impacting on there. There is about \$500 million worth of commonwealth funding cuts, particularly to employer incentives for school-age trainees and for existing workers. That has had an impact on the number of trainees.

Ms WARD — When did those cuts occur?

Mr HERBERT — These are figures — 500 million since 2012. We know that the former government's changes to foundation studies — I am not critical of them; I am clear on that — have impacted a lot on the numbers with foundation. We know that there has been about a 10 000 increase in universities, in students going to university, because of the uncapped system. That is more going, who would have been in training, into higher ed. We know that VET FEE-HELP has risen massively — about 40 000, I think, VET FEE-HELP students in all last year that had no Victorian government support. We have not got those figures officially yet but as far as we can see it is about 40 000 students that would have been doing training and apprenticeships who have gone into VET FEE-HELP. A vast majority of them never completed any qualification whatsoever. We know there has been a bit of a decline in confidence in the training system, and we know that our crackdown on dodgy training providers represents around about 50 per cent of the decline in student enrolments. So there is a whole heap of factors in there that are part of that decline. I guess what I would say is that when you look at all those factors there is certainly an element of artificially high numbers in the past.

Ms WARD — At the same budget paper reference it shows that there is a lower than expected outcome for trainees and apprentices. Can you comment specifically on that measure?

Mr HERBERT — Yes, it is mainly trainees. So an apprenticeship, what we would normally say as our traditional apprenticeship, is a three or four-year qualification, industry-based apprenticeship. Traineeships of course are the new ones that are in the shorter term — hospitality, retail et cetera. They tend to link closer to industry needs, so it is good to see that those apprenticeship numbers are going up. The traineeships have dropped and particularly in those foundation skill kind of areas and in the lower skills, and there is a whole heap of factors involved in that, as I said.

Ms WARD — Is the government concerned about the decline in enrolments — in what is happening with trainees with the government-funded enrolments?

Mr HERBERT — Yes. I have no intention of stopping the cracking down on the rorting, because quite frankly those numbers do not represent job outcomes, they do not represent any productivity for industry, they do not represent any workforce needs. They are just being rorted. So I make no apology for that, and we will continue to do this until we clean up the training system, because if we do not clean it up, we will not have faith of employers to take on apprenticeships and take on trainees in particular.

However, I do not know that anyone in the country is entirely on top of all the reasons why. I have outlined a few of them which show you numbers in decline; you know, where those numbers are in some of the decline. But we really do not know whether there has been a transitional change in people's attitude to vocational education and training. That does concern me, not fake numbers. As long as we are meeting our workforce needs and providing people with jobs, then that is what is important, not superficial numbers.

But I do say that there is an issue about whether there has been a change in attitudes. This year we are surveying about 220 000 ex-students from last year, and we are also about to let a contract on community attitudes. If that is not the first, it will certainly be the biggest in the country in terms of trying to ascertain what people's views of VET are. So we will have a survey of those that we know, and that will factor into the data analysis, then we will look at other groups of people who are not accessing VET and see if there has been a shift in community attitudes. If there has, then that is a much harder problem to address, and there could have been, given the incredibly bad publicity particularly over VET FEE-HELP, which is convoluted and complex, but it just has this negative wave of people's attitudes to VET. That is what worries me, not so much the actual numbers.

Ms WARD — I guess the question has to be asked then: if fewer people are doing training, does that then mean the government has cut the training budget?

Mr HERBERT — No, we have not. The Victorian Training Guarantee was market based — anyone that wanted to do it. We are looking at a bit more managed system following the Mackenzie review, and particularly we want to make sure our training meets workforce needs much better and much stronger, and that is what we are doing. We are broadening how we spend the money in the training system to meet those needs of the economy and of industries rather than just the pure VTG. We committed to \$1.2 billion for the training in opposition, and we are sticking with that.

Ms WARD — So is the government then going to look at other ways of measuring the performance of the system outside of the raw training numbers?

Mr HERBERT — Yes, I would have to go through it. We have introduced a range of new measures in this budget in terms of output measures, and they really relate to the agenda that I was saying. The truth of it is that nationally most of the data in the training market report and a lot of budget papers is collected nationally and reported nationally. There is a fair bit of doubling up on all of that. What we are interested in is quality, satisfaction, outcomes with jobs, employers' impressions of productivity et cetera. That is why 220 000 we are surveying directly — not bits of fiscal information, directly surveying their experiences on what they did, whether they got a job, whether they considered the training high quality. And we are also doing about 30 000 to 40 000 employers who employ trainees or apprentices to find out exactly whether they got productivity, whether it met their workforce needs, whether the training packages and the competencies are up to scratch in their industry. They are the sort of measures that we need to shift to in terms of our training system, and we are in the process of doing it. We are changing the funding model for next year in terms of a more managed market, and obviously if we are doing that, we need to have a look at the output measures.

Mr DIMOPOULOS — Minister, can I pick up, in the 2½ minutes left, on the capital component of the TAFE Rescue Fund?

Mr HERBERT — Yes.

Mr DIMOPOULOS — So BP4, page 44, has \$100 million 'TAFE Rescue Fund (various)'. Just with the capital aspects, can you just elaborate a bit more about what projects are proposed to be funded through that stream?

Mr HERBERT — Yes, sure. Yes, thank you very much, Mr Dimopoulos. At the last election we committed \$320 million as part of the TAFE rescue package. Of that there was \$100 million of capital projects. Those capital projects, about \$65.8 million, and I will get that in a tick, has been allocated and is in the process of going out the door really.

Those projects relate to a fantastic development at the Chisholm Frankston campus, and I have to acknowledge the previous government put funding into this. That is a \$70 million project, of which we came and funded last election the third leg of it of \$25 million, and that has been done as one major project. That will completely transform that Frankston campus. I could not think of a better part of Melbourne. I could not think of a better institute. That will be training of the future, world standard, when they build that facility, and that has been the combined effort of our government and the previous government's funding and of Chisholm themselves.

Bendigo Kangan — it is a food and fibre centre — is \$7.8 million which is going to be done in partnership with other TAFEs. We have Holmesglen Institute, a fabulous project, also in line with the previous government. It is a student hub at the Moorabbin campus. I had a fair bit to do with that while I was chief of staff back in 2000 in terms of getting Holmesglen taking over that campus. They are building a private hospital there, and they have got an agreement that all the training provision with Holmesglen will be done in that hospital — state-of-the-art training and a state-of-the-art hospital. A fabulous project that is, and we are helping with the student facilities as part of that project.

Federation University is an industry hub that is in Ballarat in the Flecknoe building. There are a couple of issues with that, I understand, with council, and I will be going up to council to talk to them about that in terms of the planning provision. And of course there is \$10 million to reopen Lilydale and Greensborough.

Mr MORRIS — I am so glad there are no more Dorothy Dixers at PAEC! Minister, can I refer you to page 137 of BP3, which outlines the government's targets for international education. In April last year Victorian taxpayers spent more than \$32 000 on flights so that you could travel to Latin America. Can I ask you how many additional international students are studying in Victoria as a result of that trip?

Mr HERBERT — I am not sure, but I do know that it was a highly successful trip in terms of partnerships with universities and TAFEs, but mainly universities, I could say. The trip did not go to the hotspots of South America, I can assure you. I was in São Paulo — I could not make it to Santiago — Curitiba, Bogotá and Lima; they were the cities we went to. I understand that there were six memorandums of understanding signed between Victorian and Latin American institutions or are under development. There is research collaboration being explored with 14 Latin American universities, research institutes, coordinating agencies et cetera. Two Victorian universities and three Latin American universities are negotiating joint programs for delivery and pathways right now. There are three new or existing forums and symposiums that are under development, and

of course discussions are underway around a range of planning agreements with vocational education and training to build capacity.

Can I just say that international education is important, but it is a moving market and it is a very competitive market. We have strong numbers coming from China and India. The Chinese market is all about the security here. The Indian market is probably about job rights. We have very good universities here and very good TAFE providers, but in terms of the new Australian dollar at 73 cents rather than \$1.05, a whole heap of markets that were out to us because of the cost differential with our competitors in America, Canada and the UK are now back in play.

If we have a look at South America in particular, there is enormous capacity for growth as those countries have a growing middle class. That is not Argentina, of course; that has always been a wealthier country. It would be my intention to try to grow those markets as much as we can, and that may not be for my benefit — I may be way out of it — but when dealing with new markets like that, it takes years and different governments to actually solidify them.

Mr MORRIS — Thank you for that. In your report you identified four projects in particular that were to be followed up. You talked about the six MOUs, but can I ask you to give us an update on the specifics rather than the overarching general information that you gave us?

Mr HERBERT — If I have those specifics, I shall. Since the mission I am advised that four scholarships were offered to Latin American students to study pretty prestigious PhDs in Victorian universities this year. There have been two inbound delegations from Latin America visit Victoria in particular in the Australian Awards Fellowship program and the technical, vocation and educational leadership and capacity building program. They were in September 2015 and March this year. There has been identification of a range of working groups to collaborate with the Brazilian state of Paraná through a memorandum of understanding signed during the mission, and there has been development of a proposal for the Brazilian Ministry of Education by a consortium of Victorian providers in regard to high-level reform of their system.

I think they are key things. If you would like me to drill further, I would probably have to take that one on notice. I could not do that. But I do say to you that we have an industry of 175 000 students coming here, which is worth \$5.6 billion to our economy — the biggest service sector industry in Victoria — —

Mr DIMOPOULOS — It is the biggest export industry, too.

Mr HERBERT — It is the biggest exporter in the services sector industry. It covers about 30 000 jobs here. It is an incredibly important market, but it is a market that we do need to diversify because, if changes happen in China or India, they can impact on that market substantially. Diversifying the market in a very highly competitive sphere will take time, and my intention is for Victoria to build strong relations with those countries, particularly Latin American — South American — countries. We can do that because of the value of the dollar but also because we now have direct linkages, an umbilical cord, across the Pacific from Australia through to Latin America. That will take time, and the start of a project leads to bigger projects. Having alumni groups over there means that we can strengthen children coming back here. It is about building a marketplace in those countries in a way that is in a partnership arrangement with those governments and with universities and with TAFEs.

Mr MORRIS — You invited me to just ask for a little more information on some things, recognising that it may be necessary to provide information on notice.

Mr HERBERT — Yes.

Mr MORRIS — You mentioned the MOU with the state of Paraná. I was not sure whether that was signed or whether there was further work on that. Was it signed?

Mr HERBERT — Yes, I signed that when I was there with the education minister.

Mr MORRIS — Okay. In your reports you indicated that the department would be working with Victorian universities to identify representatives to form working groups in the areas of water management, sustainable cities and regionalism. Have those working groups been formed, and what is the basis of their activities?

Mr HERBERT — I understand they are being established. I think relationships have been going quite strong there since the trip. I do not have any right now; I can get that data for you —

Mr MORRIS — That would be helpful.

Mr HERBERT — but I do regularly meet with the heads of the international sections of our universities and they are reporting very strong strengthening arrangements and business with Latin America.

Let us just say on Paraná, it is an interesting thing. We often just say Brazil or we say a country, just like people say Australia even though we know Victoria is in competition with Queensland and other states. Paraná is a very wealthy middle-class Brazilian state and we have an excellent relationship with them. In fact the education minister went to the grand prix; he loves fast cars, and that was a good, solid experience. Building on those interpersonal relationships and the relationships between our universities with a state like Paraná is very important because they are not a poor state; they are an affluent state and education is important to them and we have a lot to offer.

Mr MORRIS — Thanks. Just a final quick one: you also in your report referred to an MOU with the state of São Paulo. Has that been signed or is that underway?

Mr HERBERT — I am not sure about that. That was earlier in the trip. I was probably a bit jet-lagged when we went on that one because I went straight there and straight into the meeting the next day. Can I just double-check that? I will have to get back to you on that.

Mr MORRIS — Sure, if we could have that on notice.

Mr HERBERT — We had some very good meetings in São Paulo with some very senior people. The universities were there before me; I could not get there for the very start of it. I will have to get back on that one.

Mr MORRIS — That would be useful, thank you. I will pass to Mr O'Brien.

Mr D. O'BRIEN — I just have a question for the secretary just regarding the Victorian Training Guarantee. The budget estimates questionnaire on page 21 refers to \$1.3 billion being in the VTG last year and 100 million returned to consolidated revenue. Of the 1.2 billion remaining, how much actually went to VET funding contracts?

Ms CALLISTER — Sorry, Mr O'Brien, we are just getting the reference. Mr O'Brien, are you referring to page 21?

Mr D. O'BRIEN — Yes.

Ms CALLISTER — That is for 16–17, so that is forward-looking.

Mr D. O'BRIEN — Yes. For 15–16 it said 1.326, but then it is about a reprioritisation, so the difference between the two is returned to consolidated revenue. The question, though, is: of the 1.2 billion, how much of that actually went to funding contracts for student training?

Ms CALLISTER — I am just checking, but I understand that in 15–16 we projected that we would spend 1.32600 in 2016-17, but at the time of the budget we are estimating it is \$1.2 billion.

Mr D. O'BRIEN — But how much of that went to actual student training?

Ms CALLISTER — I might ask Mr Robertson to provide more detail.

Mr ROBERTSON — As you are aware, we are obviously still waiting for the end of the financial year, so those numbers are still not determined yet, but you can see that we have estimated the numbers in BP3.

Mr D. O'BRIEN — Okay. There were a number of grants last year to TAFEs — 6.9 million for Box Hill, 15.3 for Melbourne Polytechnic and 8.4 for GOTAFE. Did those grants come out of the VTG?

Ms CALLISTER — I believe the majority came from the TAFE Funding Boost.

Mr D. O'BRIEN — Can I get a clarification on that on notice? I understand you believe it is, but if I can get an exact response on those three grants and anything else that might have been taken out of the VTG that was not exactly directly for training places.

Mr ROBERTSON — Would you mind just mentioning those figures again?

Mr D. O'BRIEN — Yes, 6.4 for Box Hill, 15.3 for Melbourne Polytechnic and 8.4 for GOTAFE.

Ms PENNICUIK — First of all, good afternoon, Minister, and members of the department who were not here before. Good afternoon to the ones who were here this morning as well. Can I refer you to budget paper 3, pages 184–5, which is the outputs on higher education and skills. One of the dot points on that page says:

... growing TAFE institutes as public institutions that play a key role in helping the state to meet its economic and employment needs, as well as a unique role in the community to promote equity and address disadvantage —

an output that I totally agree with.

If I could follow up, and Chair, while I am, the minister mentioned quite a few things in his presentation that were not in the presentation again. I think he was talking about the report that was tabled yesterday, which I have not yet seen. But I think the minister was saying that TAFE enrolments have stabilised. Is that correct? My question is, following on from Mr O'Brien: what is the current share of overall VET budget that is going to TAFE and have the TAFE enrolments stabilised? Is that what you were saying? If not, what were you saying, and what is the situation with TAFE enrolments?

Mr HERBERT — Thank you. No, they are stabilising, but they are certainly still dropping as is training for many providers across the country unless you are a VET FEE-HELP company that has not been cracked down on yet. The figure I gave was in terms of TAFE's market share, which I know you are very familiar with and has been an issue. It was about 60 to 62 per cent back before the changes to the open market system in 2010 and it dropped very significantly as a result of a range of things. Some of it was funding cuts in terms of the differential funding and different subsidy changes, and part of it was of course the open market — there are so many people in there undercutting and not charging any fees whatsoever. So it dropped down to about 40 per cent in 2013, about 31 per cent in 2014. It is quite a significant slide over a number of years. But last year it stabilised as a market share at 30 per cent, albeit from a smaller market.

It should be noted, however, that I talked about apprenticeships. I guess we all learn from new systems, but it was thought that we went to the open market system, by all governments really, that private providers would have shifted and gone into markets. But what we have seen in those higher level apprenticeships is that there has been very little take-up in the private sector. TAFEs have really solidified and maintain the vast majority of apprenticeships — our plumbing, training, electrical, all those trade-related training areas. So that is where we are.

In terms of the overall decline in training numbers, there has been a decline, but it is slowing. I think in 2014 there were about 85 000 less students in TAFE. I might need to be corrected on this, but I think that is what it was, and that dropped down to around about 35 000–36 000 last year. I can get those figures exactly for you.

Ms PENNICUIK — I would appreciate that, Minister.

Mr HERBERT — However, their funding position has been much stronger. Can I just say that when you look at the annual reports for some of those, the figures are a little bit hard to differentiate, because when we came in I was not happy with the level of outsourcing at TAFEs to private providers — in some of them it was all of their delivery, and we talked to them and they cut that out. For some we are talking about very, very significant numbers, and so when we are talking about rebuilding TAFEs, they are rebuilding their capacity and the training they do, and their new outsourcing rules mean that they can outsource but only on specialist things, not on \$30 million worth of training to a private provider where the question mark is: is it the quality we expect?

Ms PENNICUIK — Yes, I would appreciate that follow-up, Minister. Just in terms of the deliverable of growing TAFE as a public institute, and you are saying it is stabilised at 31 per cent, which is pretty concerning. Does the government have some sort of target to increase the market share that TAFE has and increase the enrolments in TAFE? You were talking about how that has fallen — also, whether there has been an impact in

terms of teaching numbers, because that was decimated too across TAFE, and whether they have been seeing any increase in the number of teaching staff and the reinstatement of courses.

If I could just throw this in: you mentioned apprenticeships. I do not know how you are surprised that in fact the private RTOs that flooded into the market doing the really cheap courses and dodgy stuff were going to take up the apprenticeship training. It is no surprise to me exactly what happened, but on page 185, 'Number of apprenticeship/traineeship commencements...' — looking at more of those. But one of my questions is: is the department getting better at monitoring whether they are actually completed rather than commenced?

Mr HERBERT — If I miss some, tell me. Perhaps I should have been writing every single one down. I did not quite realise there would be multiple at the one time.

Ms PENNICUIK — It is difficult.

Mr HERBERT — We do not have a target of TAFE market share, quite frankly. I know that some parties do, and the AEU want 70 per cent. To get 70 per cent market share would be an absolute upheaval in the Victorian market — from 30 per cent right now.

Ms PENNICUIK — We have had an upheaval.

Mr HERBERT — What I will say is that as we crack down on poor quality and we start rebuilding and linking to industry, I would think that TAFEs' market share will probably start to increase, but also the market share of high-quality providers will increase.

Can I say, I mentioned the 220 000 student surveys we did last year, and we are linking those surveys to our contract management and our giving the contracts out. What we find is that there is a hump. You find some very high-quality private providers up the top, TAFEs are kind of in the middle towards the front in terms of all the parameters of what is quality training, and then a whole heap of tail. We are cutting that tail out, which should shift the whole lot into a better mixture.

In terms of completions, we do need to grow completions. The whole system, though, is skewed by this VET FEE-HELP rorting. We need to do completions on apprenticeships and traineeships. It is a complex thing to do. I am hoping our new funding system will, and if it does not, we will change the system until we get better completion rates. However, when you are looking at VET FEE-HELP and you are seeing some providers — \$46 million completing two students. If that is the benchmark, well, we are doing a hell of a lot better than that.

Ms PENNICUIK — We agree on that point, Minister. Just in terms of that output deliverable of growing TAFE institutes to play a key role et cetera that I have already mentioned, what are the measurables for that. Perhaps you might have to take that on notice. If you are saying there is no target for market share et cetera, how do you know you have reached that goal?

Mr HERBERT — I will have to ask someone else to answer that, but can I just say: our view of TAFEs, and we have articulated it, and we will have — —

The CHAIR — Order! Mr Dimopoulos, until 1.52.

Mr HERBERT — I am happy to get back on that.

Mr DIMOPOULOS — Minister, we got cut off. Just to take you back to BP4, page 44, out of the capital fund, you mentioned in the closing seconds about the \$10 million to — was it Lilydale and —

Mr HERBERT — Yes, Lilydale and Greensborough.

Mr DIMOPOULOS — Greensborough. Could you elaborate bit more on those specifically, but also what else — —

Mr HERBERT — Yes, I would be delighted to that. I will just get those notes. But can I say one of our election commitments was to reopen two campuses. Swinburne Lilydale was a highly contentious one because the university was the only university TAFE in the Yarra Valley, and it was a very high-profile campaign. Greensborough — I know it is just out of the electorate, is it not?

Ms WARD — No, it is in the electorate of Eltham with the redistribution.

Mr HERBERT — It is in the new electorate of Eltham, not my former one. Greensborough campus is a beautiful campus, which closed down previously. We have a commitment to reopen those. We have reopened Lilydale, and I will go through that in just a bit, but can also say there has been other campuses reopened — Forestech, for instance, up in Gippsland, has reopened, and we would hope to continue outside of those election commitments, where it is appropriate to reopen them.

Let me start with Lilydale. Lilydale has been a great success story so far. There is a long way to go. You cannot just reopen a massive facility. It is a beautiful facility. It has got fabulous buildings, great location; lots of growth in the area. I think the student — we had targets for that, which are being exceeded. Box Hill of course — we had a competitive tender for it, and they won it. It was quite a competitive tender. Year 1 — there are 740 students enrolled there right now. That is a damn good effort for year 1, and I commend Box Hill for it. But also, as well as the \$10 million, we put in extra funding so that we could fast-track the biosecurity centre of excellence there, which is a whole new industry which everyone is talking about, and that will be a centre of excellence there, as well as an integrated childcare centre whereby there is child care for the community and training directly related to it. Not just Box Hill but Deakin are doing undergraduate courses there, and William Angliss are also offering high-end hospitality training there. It is going fabulously. I could not have asked for a better start than what we are seeing there. I must say I thought there would be less, but they are going super well.

At Greensborough there is a community reference group I established. Ms Ward, I think, is the chair. Is that correct, Ms Ward? I am expecting them to report to me very soon. You could probably have a conversation — she would know quicker than I would. I would hope that that facility would be reopened next year. Reopening facilities is not that easy. You have to make sure you get the ongoing finances right. Melbourne Polytechnic's finances have been hit very hard over recent years. I want to make sure the finances stack up, the community needs are met and that fabulous campus is reopened.

Ms SHING — I might pick up with some further questions in relation to comments that you made at the outset of your presentation when you indicated that you have 'no intention of stopping cracking down on roorting. We will continue to do this until we clean up the training system'. I would like to take you to budget paper 3, page 186, and the performance measures that relate to student satisfaction and employment outcomes. They are in fact expected to be lower than the target and what was set. Can you outline for the committee the reasons for this lower than expected result for these particular measures in the context of the overall performance standards that you referred to in your opening remarks?

Mr HERBERT — Yes, sure. In finishing off, I should have also said that both Lilydale and Greensborough will have one of our tech schools. My colleague James Merlino says there is another 10 million in both of those. These are going to be fabulous facilities in the future. Sorry, Ms Shing, but I just had to get that on the record.

In terms of the issue of training numbers, can I say that, like any minister, I could raise those numbers tomorrow. I could simply stop cracking down on roorters, give them open slather again, increase the subsidy rates for low-quality, low-outcome training and the game would be back on and those numbers would go through the roof. I am not prepared to do that and neither is the government. We are going to continue cleaning up the system, even if that costs us numbers, because they are not outcomes. They are not real outcomes, they are not real jobs, they are not real qualifications in many cases. We are going to align it to industry needs.

What we have done is we have had a look at the targets of what we actually hit this year and we have set them the higher for next year. How they come in is going to be a bit hard to tell. There are a whole range of factors in here. We will have a new funding model in place which will be more managed. We changed our contracts this year to provide greater quality guarantee, weeding out those who were on a low-quality short course. We have scrapped short-course delivery as much as we can — you know, doing an 18-month course in two weeks. These are the things that inflated the numbers. We are not going to do that. We are going to continue to clean up the sector, continue to improve our contracts, continue to link it with industry and we will hit a high-quality system, restore faith in our system and then we will grow in terms of the needs of the economy as the economy grows and job needs — —

Ms SHING — How from an operational perspective do we move from a quantitative measure, which is about numbers which perhaps would explain the earlier numbers, to a qualitative measure by reference to the

surveys that you indicated earlier were being undertaken but also the deliverables in terms of student satisfaction and also how that translates to employment once someone has completed their qualification?

Mr HERBERT — There is a range of ways you can do that. We will continue to refine this. I would not say the job is done by any stretch of the imagination. Ms Pennicuik mentioned completion rates. They are a measure — of course they are a measure. When we do our surveys, they are quite intensive. We might do 220 000. If we get back 40 000 or 50 000, I would be delighted. We might get 30 000 to 40 000 back probably, and those students that dropout too. They talk about job outcomes. The employer has an increased productivity. A lot of that survey work is there and that information comes in.

Last year's survey was the biggest that the state has ever done and 9 per cent of responses did not even know who their training provider was or did not know they were doing training. That is nearly 10 per cent of the total. Can I say we then looked at those in terms of who their training provider was supposed to be and we cross-indexed that against the contracts, and then we went out there and we audited those that were showing poor results.

Ms SHING — In relation to the blitz that was undertaken to investigate the way in which RTOs were operating, how many RTOs were investigated as part of that particular process?

Mr HERBERT — I think there has been around about — —

Ms SHING — And also if you can outline just what sort of courses were investigated, too, as part of that process.

Mr HERBERT — Yes. Can I just say that since the blitz began — of course we were cracking down before that, but we put in an extra 9 million halfway through the year — since July 2015, 57 RTOs were investigated or were identified for investigation. There were 15 big VET funding contracts terminated, 39.9 million since July has been identified for recovery, 7.8 million is currently being held. When we know there is something going on, we put a freeze on the numbers.

The first tranche was on high-risk providers, where we have had serious misconduct and the results of the survey et cetera, where there have been massive spikes in payment. If you suddenly go from 50 students to 500 or 5000, you know there is something going on pretty quickly. The second tranche was on areas where we knew there were problems, such as security training identified from ASQA. The next lot we are looking at focusing on is short course duration, online education.

NDIS — we need to make sure that the NDIS workforce is in good shape, that training is in good shape for that, before we go into the NDIS otherwise we will have a major risk factor. That is what we do.

Ms SHING — We have got about 1 minute remaining in this particular part of the proceeding, but the blitz is one thing. You have outlined the numbers which have emerged from that as far as regulation is concerned. What is the government doing more broadly outside this proactive engagement in a blitz-style arrangement to audit particular RTOs to actually create a better framework for delivery on training and skills services?

Mr HERBERT — Yes, so it is not just about how many you audit. In the past, audits were basically book audits. We are going out there. We are putting much better data and analytics into what is happening — payments, short courses et cetera. We are interviewing students extensively. I will give you an example, if an auditor goes out there and they ring 10 students and they can only get one connection, there is a red flag there is something going on there, because virtually every student nowadays has a mobile phone. If there is no connection there, then there is something dodgy there.

Mr D. O'BRIEN — I want to go back to my previous line of questioning about the Victorian Training Guarantee, and maybe put this to the minister.

Mr HERBERT — To me?

Mr D. O'BRIEN — Yes. The three I mentioned where funding had been given to TAFEs, there was more than that. A line from your media release says:

The Andrews Labor government is continuing its support of TAFEs with a \$50 million package to bolster TAFE training in response to falling training levels.

Was that out of unspent money in the VTG?

Mr HERBERT — The 51 million funding boost at the end of last year — is that what we are talking about?

The CHAIR — What was the date for the media release, Mr O'Brien?

Mr D. O'BRIEN — The media release is 18 November last year. This one says 50 million, but if it is 51 — —

Mr HERBERT — As I said, training numbers were down, so expenditure is down. We reallocated the funding into training in terms of that fund.

Mr D. O'BRIEN — What are the outcomes of that funding? What are the performance measures that are put on TAFEs?

Mr HERBERT — The outcome of that funding is clear. It is stronger TAFEs. It is more course offerings. It is maintaining capacity in the TAFEs to rebuild and to do training.

Mr D. O'BRIEN — That is all pretty vague, though, Minister. We are giving the TAFEs \$50 million that they presumably were not expecting because this is underspend in the VTG. What specific performance measures have they been given to account for that funding?

Mr HERBERT — The performance measures in terms of that — —

Mr D. O'BRIEN — In terms of jobs, in terms of extra training places filled.

Mr HERBERT — I understand your question. We have a commitment to stabilising and supporting TAFEs. We have got a downturn here. We have a commitment to ensuring that we do not have major job losses as they rebuild their system. We are in a major process of rebuilding our system and rebuilding our TAFEs, so we want to be able to ensure that they maintain effort and maintain their capacity to grow particularly in terms of apprenticeships and particularly in terms of the needs of the economy. The performance measures relate to maintaining their apprenticeship and traineeship numbers, I understand, and perhaps, Craig, you might want to — —

Mr D. O'BRIEN — Are they specific figures? For GOTAFE, for example — 8.4 million. Do they get told, 'For that we would like to see an additional 200 apprentices, 1000 extra training places'?

Mr ROBERTSON — The important thing to note about these particular measures, as the minister was indicating, was trying to make sure they maintain their capacity in the face of other pressures they were experiencing — to be able to make sure that they were able to continue to train in critical areas, particularly in apprenticeships. As you would be aware, the government has made quite significant investments in infrastructure, and so we need to be able to make sure that that capacity remains, because as you would be aware, apprenticeships have a high capital cost and also you need relevant industry experience. If you lose that capacity, it would take a while to rebuild that back into the sector, and you would understand that apprenticeships training across Victoria — about 70 to 80 per cent of that — rests within TAFEs. That was the direct purpose of that investment.

We also asked the TAFEs, in giving them the funding, to indicate what they would be able to maintain in doing that. You will note, out of the market monitoring report and even out of press releases from the minister, apprenticeship numbers have started to rebound, albeit ever so slowly, so that is why we have made that investment.

Mr D. O'BRIEN — Minister, just confirming, so that 50 million or 51 million — whichever figure it is — was unspent money in the VTG. That is correct? That is what you said?

Mr HERBERT — Yes, that is correct.

Mr D. O'BRIEN — Perhaps if I put it this way: would the TAFEs have received that money if there was not an underspend in the VTG?

Mr HERBERT — Probably if they had had more training activity, they might not have received it; that is true — that is very true. However, can I just say — —

Mr D. O'BRIEN — So I will just — —

Mr HERBERT — Just one moment. If you use GOTAFE as a good example, under the previous government when the funding cuts hit GOTAFE what they did was outsource a lot of their training. They did not do it, and they made a profit by outsourcing it to cheap providers and cheaper quality — can I just say that. That has an impact on their capacity to offer courses and to do work. In stabilising GOTAFE and in terms of refocusing them on the needs of their community — Shepparton, in particular — of course there is a whole heap of extra opportunity needed. They have got high youth unemployment there. They have got industries in transition. It is a complex business, this. I understand you want a simple answer, but it is a complex business, and we need GOTAFE to be strong, to maintain their staffing expertise, to build their real numbers and to service that community, not just the outsourcing of training all across the state under their name. What this funding did was help them maintain that capacity and grow that capacity within themselves at a time of a downturn, otherwise there would have been impacts on Shepparton and that community there.

Mr D. O'BRIEN — Taking your example up, have there been staff cuts at GOTAFE in the past 12 months?

Mr HERBERT — Sorry?

Mr D. O'BRIEN — Have there been staff cuts at GOTAFE in the past 12 months?

Mr HERBERT — Has there been a — —

Mr D. O'BRIEN — Staff cuts.

Mr HERBERT — Sorry, I have got a cold.

Ms CALLISTER — Have there been staff cuts at GOTAFE?

Mr D. O'BRIEN — I would say it again if you like, Minister.

Mr HERBERT — Sorry, I have got a cold; it is not your fault. There have not been the wholesale redundancies; across the system there have not been. We put a stop to that. There has been some natural attrition, where it has been there, but the priority for GOTAFE has been to reallocate staff, retrain them in areas where they hope to grow and where they were going. But there have been staff losses — you cannot have this many people — but it has been done mainly through contractors and through people retiring et cetera.

Mr D. O'BRIEN — I am not sure why contracting out, when you said it was to keep their profit levels up, was a bad thing and they need to be rebuilt, but it sort of seems that this funding that is being provided to the TAFEs is literally just that you had some spare cash and you have used it to prop up their bottom lines. Is that right?

Mr HERBERT — No. We wanted to make sure that they were in a solid position at the start of this year. At the start of 2014 we allocated \$20 million out of the TAFE Rescue Fund so that they could start 2015 solidly. We have done the same thing in terms of strengthening their capacity to grow at a time when we are transforming the entire training system.

Mr D. O'BRIEN — Just to finish on the VTG — and I appreciate you will probably need to take this on notice — is it possible for the committee to get a list of all the funding contracts provided under the VTG?

Mr HERBERT — We will take that on notice if you do not mind. I do not think they are confidential, but I do not know whether they are printed or they are listed on a website. You are talking about the providers — RTOs that are funded providers.

Mr D. O'BRIEN — Yes. All the TAFEs and RTOs — the entire 1.2 billion.

Mr HERBERT — Yes, sure. I am sure we will be able to get something for you.

Mr D. O'BRIEN — Minister, if I could move on now to performance measures, and we have already talked about budget paper 3, and pages 184 to 186, which are all the performance measures. There are 91 000 fewer government-subsidised course enrolments, 800 000 fewer government-subsidised module enrolments, 27 million fewer student contact hours, 4800 fewer apprenticeships and trainee commencements, 65 800 fewer students enrolled in government-subsidised courses, and a 4.8 per cent decline in the participation rate of 15-to-24 year olds in government-subsidised training. You said you would fix the TAFE system. How is this fixing the TAFE system?

Mr HERBERT — Sorry, we are fixing the TAFE system. So this is the training system you are talking about, but I am happy to go through that in more detail. If you look at those 65 000, at least 32 000 of those were as a result of our quality crackdown — a bit over half of them, just under 33 000, so that is a direct result, and they were not real numbers. They are not real numbers, they are people doing short courses, they are incentives, they are run out of these brokers who are running left, right and centre. We are stopping that, completely stopping that, and we are going to keep doing it. If you are asking me should I stop getting rid of the dodgy providers that are ruining this training system — —

Mr D. O'BRIEN — No, I am not asking that. I am asking you: you said you would fix the TAFE system. You said it was in crisis, but it has gone backwards under you.

Mr HERBERT — I am doing that. I am fixing the TAFE system.

Mr D. O'BRIEN — Yesterday you released the market training data report and you blamed the former government and the federal government. You have been in office now for 18 months — —

The CHAIR — Is there a question, Mr O'Brien?

Mr HERBERT — A bit of Bronwyn Bishop theatrics is always good in an estimates type of hearing.

Mr D. O'BRIEN — We heard, Minister, for two and a half years, that there was a crisis; the figures have gone backwards, and all we are hearing from you is blaming someone else.

Mr HERBERT — The figures are there. The figures are still continuing because of VET FEE-HELP, people shifting across the massive rorting that has gone on there — \$3 billion worth of people gone into it — —

The CHAIR — Order! Dr Carling-Jenkins.

Dr CARLING-JENKINS — Thank you, Chair, and welcome, Minister and witnesses. That makes it easier than saying everyone's name, because I cannot read everyone's name. My sympathies that you are not well, so I will be really kind, and I am going to ask a question which you are probably anticipating, and it is around disability. I am going to ask from a couple of different angles, so firstly I would like to draw your attention to a budget paper reference that a lot of people have used here today, and that is paper 3, page 184. Ms Pennicuik actually pointed this one out as well. It is around the last dot point on the page, which emphasises the unique role that TAFE plays in promoting equity and addressing disadvantage in the community. So I would like to speak directly around the issue of disability and how TAFEs actively seek to accommodate people with disabilities.

Last year in the committee I asked a question around what extra support was going to be given to TAFEs, and at that stage it was a little bit too early to tell, I understand, but I just wonder if you could give an update to the committee with the benefit of another year's progress, and let us know what extra support is now being provided to TAFEs to accommodate more people with disabilities into your programs.

Mr HERBERT — Yes, I can do that, thank you very much, and can I say that when it comes to supporting people with disabilities it is not just about dollars and numbers, because these are difficult areas and they are long-term investments, and as you would know, it is not an easy thing to actually get right. One of the things that has concerned me, and I will answer your question but I want to put this on the record: there has been a drop-off in the numbers of people from CALD backgrounds and disabilities in training, but that is absolutely disproportionate to the large numbers of people from CALD backgrounds and disabilities who have been ripped off out of the VET FEE-HELP system, where institutions have been trolled and where people with disadvantage have been trolled with offers and promises and massive debts that they will never repay. I could point to any

number of people with disability getting diplomas or starting diplomas, and it is not real training and it is not real opportunities, it is just a rorting.

Dr CARLING-JENKINS — So it is an exploitation of vulnerability.

Mr HERBERT — I just wanted to make that clear. When it comes to the actual figures, we support people with disability in terms of concessions, and I am just having a look at some of these figures. In 2015 that was worth about \$45.4 million from my speaking points. We have invested \$42.2 million in 2015 in course subsidy loadings. These are your broadbrush pictures. There is \$63.1 million for funding for cert I in transition education, and cert I in work education. These are your mainstream funding. When it comes to additional things, we promised, as part of the TAFE rescue package, \$200 million — \$50 million a year — for community service benefits, so over and above the normal funding we put into disability training across the sector, when it comes to TAFE we have allocated that \$50 million. That is going directly in there.

We went to the TAFEs and we said, ‘Okay, where are your needs in terms of how you can best support people in your communities?’ Some had some thin markets, like they wanted to keep a course going, but large numbers of them are in learner support, and much of that learner support is for disability. I am happy to actually get some specifics on people with disability and training for you, but Bendigo Kangan — they got \$2.81 million. They had four activities for learner support and obviously a lot of that is counselling, literacy and numeracy and some of that will be disability. Box Hill — \$3.69 million, and a program for learner support only. Chisholm had five of their 11 programs for learner support. Federation Training got just under 4 million and a lot of that was for niche markets, I must say, but there was learner support in there I could go through all of those and I am happy to supply that to you. It would take up a lot of your time if I read it all out now.

Dr CARLING-JENKINS — That would be great if you could take it on notice.

Mr HERBERT — That is what that support funding is, and we will continue that.

Dr CARLING-JENKINS — Thank you, Minister. I would like to now ask another question around disability, and that is around the certificate IV training. This relates to your presentation and some of the comments that you have made to the committee already today. You have commented on the NDIS requiring a skilled workforce —

Mr HERBERT — Yes.

Dr CARLING-JENKINS — and that you are investing in key initiatives in that area. As you would know — and I am sure we have spoken in the past about this — certificate IV is one of those baseline certificates for disability support, which has often been described as inadequate. I believe, from your previous answer to me as well, that it is probably something you have picked up a lot in the literature on dodgy providers, so I would like you to speak to that. But also around what kind of revision is being undertaken to incorporate the new way of thinking around the NDIS, where it is moving away from a welfare model to the insurance model, and that really needs to be incorporated in the new cert IVs.

Mr HERBERT — Yes, there are multiple issues. We have a task force, of course — the Victorian government. I am kind of supplementary liaison on that task force. As we know, training goes across a whole heap of areas, and so I tend to participate in it. The Victorian government is providing 10 million through the transition support packages to support Victorians with disabilities, as you know. I have given a reference to the new skills commissioner, Neil Coulson, to establish an NDIS skills forum to advise on what we can do in the training system to best meet the needs of the disability sector. He will come back to us.

We have key issues in terms of, you know, how do we look at the future workforce needs? Then there is training for people who care for people with disabilities, of course, broader than just those specialists in the area. There is a review of the adequacy of existing training packages. And there is the investigation — a kind of pre-entry assessment — and relevant training courses. They are the key things. What sort of skills do you need before you enter? What sort of skills do you get? Are the qualifications up to speed? How many do we need in it and what type of qualifications? They are all complex issues. We are looking at that through Neil Coulson, the skills commissioner.

On top of that, I would be surprised if the disability sector was any different to any other sector that has been flooded with low-quality training over the last few years. I want to make sure that we clean it up before we do NDIS, and that is why I have asked the department to do a bit of a blitz on providers of disability qualifications and the various qualifications in there.

Look, it may just be that at the end of this we need to have some new qualifications. I am not averse to that. If we go through the training package through the commonwealth, it will take forever. We do have the capacity to develop our own accredited courses. We could do it through TAFE or another provider: get them to do a special provision for a special qualification. If that is what we need, we will do that, and we will do it as quickly as we can.

Dr CARLING-JENKINS — Thank you very much, Minister. I have run out of time, haven't I? I have got 10 seconds.

Mr HERBERT — You have 10 seconds. You can ask your question. Whether I can answer it?

Dr CARLING-JENKINS — On notice, then, on budget paper 3, page 186, I notice the performance measure around quality. It talks about new initiatives in response to the review of quality assurance, and I was just wondering if you could outline for the committee, or on notice, what these new initiatives are?

The CHAIR — I think we will take that on notice, Dr Carling-Jenkins.

Mr HERBERT — I would be delighted to, but maybe the next one.

The CHAIR — Ms Ward, till 2.20 p.m.

Ms WARD — Minister, I just ask you to look at budget paper 3, page 61. You have got the table there, 'Output initiatives'. Down the very bottom is a reference to supporting Victoria's industry advisory bodies. Could you outline how this initiative will help to better align skills training with the needs of industry and the changing workforce?

Mr HERBERT — Thank you very much, Ms Ward. We inherited a system which did not have any substantive institutional information running through to government about industry needs, and it comes in through two broad areas. It comes in through the needs of the workforce right now, the quality of the training of the workforce right now, whether it is meeting productivity needs — three areas — and future industry workforce needs.

We recognise that as we have changed the VTG to a new VTG to guarantee that training meets our industry workforce needs and meets the jobs, we need to have better advice from industry. So we established a skills commissioner — it was an election commitment in the first instance — and he has been broadly consulting; and we have provided \$14 million — \$3.5 million a year ongoing; \$14 million over the forward estimates — to establish industry advisory arrangements. Those arrangements will be a bit different to what was there before, before they were cancelled by the previous government.

Ms WARD — So what was there before?

Mr HERBERT — There were ITABs there before — broadly funded ITABs providing advice to government. I think we need to have a bit more specifics in some of this — for instance, we might have some short-term specialised things. NDIS we have just talked about; that in itself needs some expert advice to get it right. We also have our contract system. We are increasingly trying to meet industry needs from that, so we need industry to advise the skills commissioner to advise us to make sure we are roughly in place in terms of our training. I could not begin to tell you —

Ms WARD — So why were industry needs not being met before?

Mr HERBERT — the amount of overtraining we do in some areas — tens of thousands of people where there are never any jobs — and undertraining in some areas. It is never going to be an exact science, but we are so far from the mark right now in some areas where we are providing tens of thousands of traineeships in areas that there are never going to be any jobs for and there never will be enough jobs for, and in other areas we have got shortages. So basically I asked the skills commissioner to consult and give me advice on the structure and the

best way to do those industry advisory arrangements. We have got funding in this budget to do that. It will be more flexible than previously. But what I want is a system that in real time can advise us in terms of our contracts for training that go out there and in terms of our capacity to shift effort to make sure we meet industry needs.

Sometimes it might be a thin market advice. There might be new and emerging markets where it simply is not competitive out there in the open marketplace to provide the training but we desperately need it or that industry is just not going to go ahead or we are just going to have to import all our skills. They are the types of things that we want our industry arrangements to do — get as accurate as we can. I know that there is great support from industry for this. They have been crying out for greater say in the training sector, and that is what they are getting under these arrangements.

Ms WARD — You talk about industry needs. Can you explain to me why this initiative has been necessary? Are you saying the needs have not been met before?

Mr HERBERT — Industry criticism rolls out into two areas. One, they have all been flooded by providers trying to sell apprenticeships to them; two, they have had a whole heap of people coming to them without the skills they need, even though the people have the qualifications; and three, industry in Victoria is in transition. Our whole economy is in transition. There are new industries coming forward: human service industries; NDIS; aged care. There is a whole range of them. People in industry are worried that we will not have the skills needed and the capacity to grow productivity for the industry and meet those needs. There is nothing new in this; I think this has been around for the last few years. The cry has been louder and louder, and industry are definitely wanting to get more precise about the sort of training needs they have to meet their workforce needs.

As I say, for me, I do not want to; I want to meet those workforce needs because essentially what we spend on training should be an investment in the productivity and economic growth of this state. Getting it right is really important if you want to meet those needs, because if you do not meet those needs, you are not going to get job growth. I could go through a whole heap of industries where we have provided so much more training than ever would be needed because it has been run out of brokerages and high-pitched sales rather than about a more managed competitive approach that we are trying to achieve.

Ms WARD — I will need you to indulge me a little bit more, Minister. You are saying that industry, employers and workers within the training system have not been heard before or there has not been a mechanism for them to be heard before?

Mr HERBERT — Yes. Basically under just straight VTG I think the philosophy was that the marketplace will determine. It has proved to be a flawed marketplace, to be honest. We have seen this in VET FEE-HELP, because it has been driven by providers rather than by industry and job needs.

When we have a look at the percentages — and Craig may be able to help us here — when we have a look at how many times students actually look at different providers and see what is out on offer out there to choose, it is a small percentage, I think — —

Mr ROBERTSON — About 22, 23 per cent.

Mr HERBERT — Only 22 per cent of people actually look around for a training price; the rest just go to the first one they see. It is not a particularly sophisticated marketplace, and if it is done through spin and high-pressure sales, then it is not necessarily related to jobs. Obviously greater consumer awareness is important, but we also need a funding system whereby industry's needs are being met by our training system and they are being met not just in quantitative numbers but in qualitative training around it, and that may mean changing.

For instance, I was talking to Metricon the other day, a large-volume builder in Victoria, about a shortage in bricklaying — complex — about how do we get more people into apprenticeships in bricklaying. You think it is simple; it is not. There are all sorts of costs pressures and a whole range of things. But the cladding industry in our homes is changing, so we may need to change that qualification from not just bricklaying but to all sorts of material, different types of cladding, to give young people the opportunities to move into the construction industry and not be sidetracked into one type of activity — they cannot do rendering, they cannot do all sorts of other things. It is a sophisticated area. The previous government scrapped the skills commission and ITABs, and in their place it really was not a satisfactory solution.

The commonwealth government has gone down a whole heap of very complex mechanisms for industry advice that seem to take years and certainly do not meet the needs of Victoria, so we are setting up industry advisory arrangements that will meet our needs in real time for real industry growth.

Ms WARD — You talk about the evolution of the skills commission and ITABs, so will the initiative that you are outlining today return all of the industry advisory bodies in the same form as previously, or will it enhance things? Is it going to improve? What are going to be the differences?

Mr HERBERT — No. I have asked Mr Coulson to give me advice. He has been out there consulting very widely; I think he has had 90 meetings to date — probably a bit more now; this was a bit of old information. He is out there regularly meeting with them, and he is talking with industries, training providers — a whole range of things — about what is the best structure. I do not anticipate it will be the same, and I would not want it to be the same. The truth is that some ITABs have worked very well, and some have continued on a fee-for-service basis. Others perhaps could have worked better.

We need to make sure we structure our industry advisory arrangements that are contemporary around the needs of our changing economy. Of course you have got to have your major industries — your logistics, your construction, good advisory arrangements in them — but you also need some flexibility around new and emerging industries so that you can get good advice and act quickly on that advice in terms of structuring our training system within the new funding model.

Ms WARD — Regarding the Victorian skills commissioner, which is referred to in your presentation as well as on BP3, can you please outline what that role is and how it works through the new industry advisory model?

Mr HERBERT — Yes. A fabulous appointment, Neil Coulson. I am delighted; I think he has respect right across the various parts of industry. We have provided funding for him. He is currently in Flinders Lane. He is going into Degraes Street, which will be where our skills centre is being located — —

The CHAIR — Order! Mr Smith, until 2.30.

Mr T. SMITH — Minister, your targets on page 185 of budget paper 3 show you plan to enrol 377 831 students and 466 681 course enrolments, and I was wondering: have you modelled the impact of Bill Shorten's policy to put an \$8000 cap on VET FEE-HELP, forcing Victorian students to pay up-front fees on the targets outlined in this year's budget?

Mr HERBERT — Thank you, Mr Smith. I have not modelled that. What I can say to you, though, is that the Victorian government has had major concerns about the way VET FEE-HELP has operated. Four ministers in 18 months, I think it was — four federal ministers in 18 months — I spoke to every one of those ministers, every one of them. I communicated with them about the need to rein in this rorted scheme. I have written to them. We have referred through ASQA. We were the ones that cracked down on companies related to Phoenix and to others. We have passed on information about our findings to them; we will continue to cooperate with them. But clearly the scheme was out of control — \$3 billion down the gurgler, with little outcomes. It has been the most scandalous waste of money, I think, of this decade. I have not modelled it, no, but I can provide you with a little bit of advice, if you really want it, and that is that we have seen a massive amount — —

Mr T. SMITH — This should be good.

Mr D. O'BRIEN — Yes, and patronising.

Mr HERBERT — No. I will unpack this. I am not being patronising. I should not have said that. Apologies, Mr Smith. I am sure you will move on. When we look at training and the costs of training, it has risen rapidly since VET FEE-HELP has come on. It used to be that it would cost you for a diploma in, say, the management area/business area about \$4500 a couple of years ago. That has now gone up quite substantially. When it comes to the average of most courses, when you add the Victorian government funding we pay for diplomas, the extra cost in terms of fees through VET FEE-HELP for those that have a Victorian government contract as well, it is around about that \$8000 figure. Some of it is a bit higher, for nursing, those that have — —

Mr T. SMITH — So you have not modelled it, yet you have given the policy unqualified support?

Mr HERBERT — I have not modelled it in detail, but I can say to you that it fits roughly with — —

Mr T. SMITH — So even in these ones — —

The CHAIR — Order! The minister is answering the question, Mr Smith. Allow him to continue.

Mr HERBERT — It fits with our analysis of the costs of providing training in terms of what TAFEs charge in addition to what they get in terms of the Victorian government funding. It might be less than 8000 when we redo it — we are looking at all our subsidies, all our course structures. It may even be less than that. I understand that it is roughly in line.

Mr T. SMITH — Roughly? It is a pretty big kind of guesstimate.

Mr HERBERT — I think when you include nursing, you include like 96 000 for aircraft training and all the rest of it, a bit over \$8000 is the average TAFE additional VET FEE-HELP charge. When you add all those in, if you took out those very high-cost courses, it would be under 8000. Is that, you know, accurate for you?

Mr T. SMITH — So given, quite potentially the dramatic ramifications of this policy, have you sought any further detail from the bloke that could be the Prime Minister of our country — God help us — on 3 July?

Mr HERBERT — I would be very surprised if we did not see more VET FEE-HELP announcements coming out of all the parties, and we will wait and see what happens in this election — —

Mr T. SMITH — So are you utilising — —

Mr HERBERT — We will wait and see what happens in this election campaign, but what I will say — —

Mr D. O'BRIEN — Would you offer care to offer what you know?

Mr HERBERT — What I will say is I would hope, if it is the current minister, Mr Ryan, and I have had discussions with him on this, I would hope that he puts a more realistic cap for the costs of a diploma in this country than \$96 000, because quite frankly I do not know how anybody with any sort of conscience could justify the outrageous charges and debt levels that people are paying under VET FEE-HELP under its current scheme. I said before to Ms Pennicuik there are companies that earned \$46 million last year and they had two completions. These are ripping the soul out of people's lives. It is disillusioning people with the vocational system, it is disillusioning industry and it is simply a waste of taxpayer money.

Mr D. O'BRIEN — The previous government did nothing about it.

The CHAIR — Order!

Mr T. SMITH — So have you utilised any of the resources of your office, or indeed your department, to support federal Labor's policy formulation?

Mr HERBERT — No, I do not think so.

Mr T. SMITH — You do not think so?

Mr HERBERT — No, I have not. No.

Mr T. SMITH — Certainly not? Absolutely not?

Mr HERBERT — No.

Mr T. SMITH — No? Okay.

Mr HERBERT — Have I had conversations — are you talking about me?

Mr T. SMITH — I am talking about you.

Mr HERBERT — I have had conversations with the shadow ministers and I have had conversations with the minister on this issue and on policy, and I will continue to have those conversations. We have had those conversations in the CISC meetings. We had conversations at the last CISC meeting about this very issue, as did

training ministers from all states in the country and all political persuasions. You would be very surprised if a training minister did not have a viewpoint about the training system.

Mr T. SMITH — Very reassured with regard to the advice that Mr Shorten — —

Mr HERBERT — I would be gobsmacked!

The CHAIR — Any other questions?

Mr D. O'BRIEN — Minister, you mentioned you expect some further announcements throughout the election campaign. Anything you would like to tell us about that we might like to know?

Mr HERBERT — No, but I do know that the coalition put out a paper just recently, which I am sure you would be aware of, in terms of reforming VET FEE-HELP. That indicated signposts to policy. I assume they will — —

Mr D. O'BRIEN — It was not really the coalition announcements I was referring to, Minister.

Ms SHING — If you have got some of those, Danny, we would always love to hear about them.

Mr D. O'BRIEN — I thought the minister might have wanted to enlighten us on what further announcements there might be.

Mr HERBERT — Sorry, I have no idea what the policies will be from any of them. I do say the coalition put out a paper just before the election — a few days before, I think; a few weeks, maybe —

Mr ROBERTSON — It was only a week or two.

Mr HERBERT — a week or two beforehand on VET FEE-HELP and on the need to reform it. There was criticism that it did not have specifics in it, and I can only assume that the reason it did not have specifics in it, given that there has been a budget blowout of \$3 billion, you know like last year, that there is going to be policy changes announced in the election. It would be inconceivable.

Mr D. O'BRIEN — Sorry, I was being a little bit facetious.

Mr HERBERT — Okay.

Mr D. O'BRIEN — But I am being serious now because I am a new MP. Who actually introduced VET FEE-HELP?

Mr HERBERT — Sorry?

Mr D. O'BRIEN — Which Prime Minister introduced VET FEE-HELP?

Mr HERBERT — I think VET FEE-HELP was introduced under Labor; there are no doubts. No? Hang on.

Mr ROBERTSON — I can actually correct that. The original VET FEE-HELP was the last piece of legislation of the Howard government. That is when it was introduced, just before the change of government.

Mr HERBERT — Can I just say that I do not have a problem per se with VET FEE-HELP. There is nothing wrong with having a loan system that supports people getting a diploma. I do not have any problem with that whatsoever. Our TAFEs use it. What I have a problem with — and I know the current minister has a problem with it — is that the scheme needs to be reformed because it is simply not meeting the objectives that it should meet and needs to meet, and I think most people would agree with that in all honesty. I do not know that that is a political point. The \$8000 might be, but I do not think the other is.

Mr D. O'BRIEN — Can I just move on to another issue? Page 61 of budget paper 3 outlines the departmental output initiatives. Can you show me, if I am missing something, where there are any specific funding measures in the budget to assist the communities serviced by Monash University's Berwick campus or Deakin University's Warrnambool campus, who are likely to lose their higher education providers?

Mr HERBERT — I would not be saying they are likely to lose their higher education providers, but I am happy to discuss those two campuses. If we start off with Warrnambool campus, Deakin have indicated, after having a 40 per cent drop in student numbers and losses, that they are re-evaluating it. There were discussions. There were discussions with Fed Uni about that. I have had discussions with Dan Tehan. I have had discussions with Mr Purcell and other local representatives. In fact I was asked to go, and I have had discussions with the local community groups out there. I was asked about that by Roma Britnell when I was down in Warrnambool just a week or two ago. We — —

Mr D. O'BRIEN — I am not wishing to dispute your answer, but I am after whether there is actually any funding provided to assist.

Mr HERBERT — In the budget, no, there is not funding. We do not fund higher education provision. However, I have said that we will work with and support keeping higher education in those communities, and we will work with the commonwealth government. We will not take over commonwealth government funding.

Mr D. O'BRIEN — Of course.

Mr HERBERT — But we will work with them.

Mr D. O'BRIEN — But when Swinburne University — and I emphasise 'university' — decided to close Lilydale, the now Premier said that you would do 'whatever it takes' — quote — to reopen the site, so why so much effort for Lilydale but not for Berwick and Warrnambool?

Mr HERBERT — Well, they have not closed yet. In fairness, they have not closed yet, and I do not think they will, quite frankly. We will do what we can and everything we can. I have had excellent discussions with the federal government, and I note that they have parked \$14 million — —

The CHAIR — Order! Thank you. I would like to thank the witnesses for their attendance. I believe there are some questions that will need to be taken on notice. The committee will follow up on any questions taken on notice in writing. A written response should be provided within 14 calendar days of that request.

Mr HERBERT — Thank you.

Witnesses withdrew.