

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2008–09

Melbourne — 30 May 2008

#### Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Munt	Mr B. Stensholt
Mr W. Noonan	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Ms J. Allan, Minister for Skills and Workforce Participation,  
Mr H. Ronaldson, Secretary,  
Ms P. Neden, Deputy Secretary,  
Mr S. Ward, Director, Workforce Participation, and  
Mr P. Clark, Executive Director, Skills Policy, Department of Innovation, Industry and Regional Development.

**The CHAIR** — On behalf of the committee I welcome to the table Ms Patricia Neden, Deputy Secretary, and Mr Stephen Ward, Director, Workforce Participation. I now call on the minister to give a brief presentation of not more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the skills and workforce participation portfolio.

**Overheads shown.**

**Ms ALLAN** — Last August with some of the machinery of government changes that occurred at that time the skills and workforce participation portfolio was established. This portfolio brings together the activity in vocational education and training and the adult and community further education sector; it supports the higher education sector in the state; and we look at initiatives around increasing labour market participation and labour supply and skilled migration through our workforce participation area. You can see how my portfolio in this area brings together a multifaceted approach to ensure that Victoria has an adequate supply of skilled labour into the future.

Just highlighting some of the key factors in the skills area, I am very proud to say that Victoria's vocational education and training system continues to lead the nation. We have the highest participation rates of any Australian state, and in the particular area of apprenticeships and traineeships we have the highest level of completions of any Australian state, and that is obviously very important when you are looking at future labour supply needs.

*The Maintaining the Advantage — Skilled Victorians* statement that was released in March 2006 continues to be an important part of the portfolio's activities, and its implementation has been progressing extremely well. Hopefully during the course of our questions I will get the opportunity to highlight that a bit more. However, just for reference, we are going well against establishing four technical education centres in Ballarat, Berwick, Wangaratta and Heidelberg, and we have 300 enrolments at the TECS in Ballarat, Berwick and Wangaratta. Also we have already established 12 of the 13 skills stores that were announced under *Maintaining the Advantage*, with the thirteenth to be operational in metropolitan Melbourne by July 2008.

2007–08 has also been a year of quite good achievements in the workforce participation portfolio, and given that we are experiencing a tight labour market — we talked earlier about how the unemployment rate has dropped for regional Victoria, and that is obviously the experience for Victoria as a whole — through workforce participation we are helping employers address their skill and labour needs by helping them to access people to fill those occupations. But importantly we have a key focus on helping disadvantaged jobseekers into employment, and of course to supplement this activity we have our skilled migration program. So far through our workforce participation program we have supported more than 3000 disadvantaged job seekers into sustainable employment, and this program sits alongside a suite of other programs, including the skilled migration program that I mentioned earlier.

If we look at the key achievements in the adult community and further education area, we see that the ACFE area plays a really crucial role in helping people access education and training programs at a range of different community providers. We have 48 000 people participating in government-funded education through our adult education providers. A longitudinal study was undertaken in 2007, and it found that more than half of the learners in this environment went on to some form of education and training, so it does perform very well in providing a pathway to people for further education and training. We are supporting this sector, and this financial year invested \$2 million as part of a \$4 million program of equipment grants in ACFE providers.

However, we do need to also have a look to the future in making sure that Victoria has the appropriate numbers of people with skills at the appropriate levels, and so that is why looking at how we reform Victoria's skill sector is a very significant part of the work that the government will be undertaking in the years to come. I put on the slide there some of the key challenges that we face as a state, whether it be the changing economic environment and how that impacts on the slowdown in productivity or the changing of the demographic, with the ageing of the population and the contracting of the working age population.

All those factors lead to what we know is occurring now with skills shortages, but we also know that into the future there will be challenges in having people skilled at the appropriate levels. That is why on 30 April I released a discussion paper outlining the government's thinking in terms of looking at how we need to reform the state's

training sector, and the reforms centre around key areas of investment, choice and contestability, capacity and information.

In conclusion, the slide provides a snapshot on the 2008–2009 budget that has a range of different initiatives. There is a further boost to TAFE capital; there is additional funding for the apprenticeship completion bonus; there is a further \$20 million for maintenance of our TAFE institutes; further funding for new workforce partnerships, which is the participation partnerships program; funding for the innovative green plumbing training centre in Brunswick; support for indigenous young people to find employment; and some support for our TAFE institutes to work with their student management replacement system. I am sure we will get to talk about some of these initiatives a bit throughout the morning.

**The CHAIR** — Before I defer to Ms Munt, I note that anything you can do to reduce the red tape for ACFE and neighbourhood houses would be greatly appreciated.

**Ms MUNT** — Minister, in your presentation under key challenges you referred to our TAFEs and our VET sector, and that is also mentioned on page 80 of budget paper 2 under vocational education and training. In recent years our TAFEs have been fulfilling a large role in providing a skilled workforce for our businesses. Other roles have included becoming a pathway to university for many students, but there are challenges to our TAFE system with the increased requirements that are coming through them. You did mention that there is a reform process and that changes are being proposed for our TAFEs and our VET sector. I wonder if you could detail those for us and indicate where we are up to.

**Ms ALLAN** — In looking at the reform of Victoria's training sector it is important to actually reflect on where we have come from over the past eight years, because education and training is the government's no. 1 priority — —

**Dr SYKES** — As distinct from the highest priority.

**Ms ALLAN** — We backed that up with funding in the training area in particular of more than \$1.2 billion of additional investment into Victoria's vocational education and training system over the past eight years, and that includes an additional \$399 million as well for TAFE capital works. That has been an investment that has paid results. I mentioned before that our VET system leads the nation. It is not just me saying that; the former federal minister, Andrew Robb, identified Victoria's VET system as the leading performer in the country. We have the highest participation rates in the Victorian training system and, as I mentioned, the highest number of apprenticeship and traineeship completions. However, where we are tracking currently we know we have to look at changing what we do in order to meet the skill needs of the future. We do risk going backwards if we do not look at reform and if we do not look at change.

If you refer back to the slide that we had in the presentation that identified key challenges, this is really what is guiding the government's thinking and work in this area. The training system that we have in place in Victoria today was designed within a very different labour market. We are experiencing lower levels of unemployment; we are seeing competing demands for labour, particularly at the higher levels of skills and qualifications; and we are seeing a shift, particularly in Victoria, away from our traditional manufacturing base into more high-level occupations. This comes at a time when we know we are going to experience slowdowns in productivity, which is also a key priority for our federal colleagues in Canberra. It comes at a time of the ageing of the population, which means that the new supply of people entering the labour market is contracting, and this all leads to some imbalances in industry and business being able to access skilled workers.

Whilst all this is happening in an economic sense, at the same time in Victoria we have more than 1.4 million Victorians without post-school qualifications. That is 1.4 million Victorians who are either unemployed and outside the labour market or underemployed. So there is a responsibility on government to look at how we can do more through our training system to support those people to have access to training, to get into the training system and then to go on to higher level qualifications. At the same time, too, according to some research that was undertaken out at Monash University — I mentioned before the challenge of having people at higher level skills — over the 10 years to 2015 on a no-change basis we are faced with a shortage at a diploma and an advanced diploma level qualification of 123 000 people.

We have some twin challenges there: we have to look at how we can train more people, get more of those 1.4 million Victorians with a higher level qualification, and we have to train more people to a higher level. That is

why, through the discussion paper, I have proposed an ambitious reform proposal that is looking at making significant changes in the areas of investment, looking at increasing choice and contestability within our training sector, but at the same time looking at providing ongoing support for our TAFE and adult community further education sectors, and also looking at how we can make it easier for people to navigate their way through the training system. It has been pleasing to see that this discussion paper and these directions have been broadly welcomed. There have been, of course, some elements of the package that some people will have questions about, and that is why I have released the discussion paper, to engage in that community debate and dialogue so we can make sure that the final package of reforms is best shaped by people's thoughts and opinions throughout this process.

Broadly, this reform approach is being supported. I refer to a comment that Peter Ryan, who is the director of Goulburn Ovens TAFE, is reported to have said in the *Shepparton News*. He said that this sort of reform is definitely welcomed to address the widespread skills shortage, and that it is pleasing to see an input at both a state and federal government level. I mention the federal government because it is also looking at what needs to happen at a national level on making reforms to ensure the country has appropriately skilled labour, so the reform approach we are taking is consistent with the thinking and approaches that the federal government is looking at undertaking. The opportunity is there right now to make sure we reform the training system so that it is providing people with the skills and qualifications that the economy needs and that business and industry needs. It is good for the economy and it will help with our productivity, but for individuals, if our economy is growing strongly, of course, that is very important to the individual's own well-being.

**The CHAIR** — I forgot to welcome Mr Phillip Clark, executive director, skills policy, to the table.

**Mr DALLA-RIVA** — Minister, I refer you to the service delivery budget paper at page 154, which talks about skills and the workforce. It is talking about trying to build capacity and competitiveness across Victoria. I put it in the context of what has been happening in Bendigo in the last week with some of the issues surrounding the call centre Excelior, and I am trying to find some clarity in terms of the forward estimates of how you are dealing with call centres, given some of the issues they are confronting.

You spoke in 2001 in the Parliament about the success of the regional call centre attraction policy, and I am trying to see if there is some association with skills and the workforce moving forward. I also would like to hear your views on how the unions' involvement in this particular closure of Excelior has impacted as a result of its announcement last week. Further to that, is there any money allocated or anticipated somewhere in terms of ensuring the continuation of this call centre, given that the former government and this government hope that there would be about 1000 workers in call centre industries around that area?

**The CHAIR** — Minister, insofar as those questions relate to the estimates in your portfolio, I am not too sure whether the last two parts do so relate, but can you answer so far as they relate to your portfolio in the estimates.

**Ms ALLAN** — It is a broad question and in part relates to discussions on my previous portfolio as well, where we were talking earlier about investments the government has assisted in the facilitation in regional Victoria.

Call centres have been some of those, and back in March I opened AAMI's call centre in Gisborne, which is providing a significant boost to jobs in the Macedon Ranges area. So contact call centres have been one of those industries that we have identified that can support regional economies. Excelior has taken over a site and a range of contracts that had previously been operated by AAPT. People who know the history of this company will know that the government did assist with AAPT locating its call centre operations in Victoria in Bendigo, and that was announced back in March 2000 by the then Premier, Steve Bracks. AAPT was warmly supported and warmly welcomed by the Bendigo community, and it went on to employ, if my memory is correct, around 380 people within its call centre site in Bendigo. However, it has been deeply disappointing to see how AAPT has not rewarded the good support that the Bendigo community showed it. It announced in November of 2006 that it was pulling out of its Bendigo operations, and that announcement came without any warning and without any discussions with government. Subsequent to that Excelior stepped in and announced in May 2007 that it would be taking on the AAPT contracts and staff and that that would be operating until 30 June 2008.

The recent speculation that has been reported in the paper is just that: the speculation around the now Excelior call centre in Bendigo closing is speculation based on AAPT establishing a call centre operation in the Philippines. It

has announced that it is undertaking a three-month trial of a call centre operation in the Philippines, and that has led to the speculation at a local community level that that will mean the closure of Excelior's Bendigo operations. I have no advice on whether that will result in the closure of the Excelior operations. However, should that be the case — as it sometimes is across regional Victoria, where we do experience retrenchments or job losses — we have a program called Skill Up that is administrated under the skills and workforce participation portfolio whereby we do help retrenched workers undertake retraining and job identification opportunities within a local community, and that part certainly relates to my portfolio.

But can I just make the point that it is speculation at this stage around what might happen to the call centre operation in Bendigo. As the local member there I was deeply disappointed at AAPT's behaviour. I thought it did not return the good faith that had been shown by the Bendigo community. We have to discuss with Excelior what the future of the site will be, and, as I said, I have not received advice on what that means to date. Excelior has to really consider what its options are, and that of course means accessing more contracts — after all, that is the name of the game in call centres, the more contracts you get, the more likely the ongoing of the operations — but certainly there is a commitment from this government, whether it be in call centres or in other industry occupations where there is a downturn or where people are retrenched, to step in primarily through our Skill Up program and provide support and assistance for those workers to be retrained and, hopefully and optimistically, re-employed.

**Mr PAKULA** — Minister, can you advise the committee of the government's intention for the future of the old University of Melbourne campuses at Glenormiston, Longerenong and Warragul?

**Ms ALLAN** — Yes. This has been a long story as well, and I am very pleased to advise the committee that just this morning I have been able to announce the successful tenderers for the former University of Melbourne campuses at three locations — Glenormiston, Longerenong and Warragul. To go back again with a bit of history, back in 2005 Melbourne University made its own decision to cease its delivery of agricultural vocational education and training at those three locations, and as a result of that decision those three sites were returned to the state and returned to the minister responsible. Obviously those communities were very concerned about what that might mean for the future, because having the delivery of agricultural training at those three locations was important in terms of training young people in the agricultural sector in their own communities, but also it supported the local economy of those communities as well.

So the commitment from the government was to look at how we could secure the long-term viability of those three locations. As a result tenders were called for the management of each of the campuses, and those tenders had to address that issue of future viability and secure the viability into the longer term. As a result of that process I am very pleased to advise the committee that the successful tenderer at Glenormiston is the South West Institute of TAFE. South West has been delivering training for an interim period on the Glenormiston site. As committee members may also know, this site is the site for one of the government's rural learning campuses in the education department; it is going to be established on part of the Glenormiston site as well.

At Glenormiston, through South West TAFE's delivery, students gain qualifications in agriculture, rural business management and the equine industry, and the equine industry plays an important role in that region. For the Longerenong campus, which, for those members who may not be aware, is on the outskirts of Horsham, WORKCO Ltd is the successful tenderer, and it has also been delivering an interim operation on the Longerenong site since Melbourne University departed. It delivers a comprehensive range of programs in the agricultural sector from certificate I through to advanced diploma. Finally Warragul the Education Centre at Gippsland is the successful tenderer for the operation of the McMillan campus, and it will continue to provide a range of high-quality agricultural related programs at that site.

To help inform the process and to help with the decision there has been a lot of consultation with various stakeholders. As I said, there was a tender process that was undertaken, and certainly local communities have been involved in the consultation process as well. Securing the future of these three campuses was very important from a government perspective, because it is part of making sure that we have high-quality education and training delivered across regional Victoria, and that is why we provide capital funding to our TAFEs. As I said before, it is also very important in being able to deliver the types of training that young people in those regions need. It is important for keeping them in their local communities, but it is also important to our rural sector, our agricultural sector, which is one of those areas that is experiencing skill shortages.

It is very pleasing to be able to make this announcement today, because it has been a process I know that has been going on for some time. It will provide some long-term security for those three sites and for the people who are operating those three sites. I would also like to commend the three tenderers for the quality of their applications.

**Mr WELLS** — Minister, I refer to budget paper 3, page 145, table 3.4, and I refer you to the skills and workforce budget. For 07–08 it was 1.755, then that was revised down to 1.659; and the budget in 08–09 is going to be 1.69, a cut of 3.7 per cent. Can the minister give an explanation of why there is this cut of 3.7 per cent when she has put so much emphasis on how well the government is doing in skills and workforce?

**Ms ALLAN** — Thanks, Kim, you are again right in reading out those budget numbers.

**Mr WELLS** — I am getting very nervous about this.

**Ms ALLAN** — The primary reason for that variation that is identified in the budget papers is the result of those machinery of government changes that I mentioned earlier. In November 2006 the Adult Community and Further Education area moved out of the department and into the Department of Planning and Community Development. So before November 2006 the Office of Training and Tertiary Education had vocational training, had the higher education functions, and it had the adult community and further education functions. As a result of the machinery of government changes, the Adult Community and Further Education branch moved into the Department of Planning and Community Development. That variance is primarily as a result of that.

**Mr SCOTT** — Minister, in budget paper 3, page 50, there is a reference to \$241 million to deliver initiatives in the *Maintaining the Advantage* skills statement. Could the minister advise on the progress of these initiatives and how the current budget will build on that progress?

**Ms ALLAN** — *Maintaining the Advantage*, as I said earlier, was announced in March 2006, and it makes up part of the \$1.2 billion of additional investment in our training system since 1999. The initiatives under *Maintaining the Advantage* focused on four areas: starting earlier, learning longer, getting smarter and making it easier. Under the starting earlier area, the particular emphasis there was guaranteeing a place for young Victorians to complete year 12 or its equivalent, and that is going very well. We are seeing more young people being able to undertake their training up to year 12 or equivalent as a result of that initiative. But it also had funding for pre-apprenticeships and more funding for 4500 additional pre-apprenticeship training places, and that is again important to get young people on a pathway of training. The number of people taking that up is exceeding expectations. But also one of the key foundations in this area was the provision of four technical education centres. Just to update the committee, the technical education centres are going very well. We have TECS operating out of temporary facilities at Ballarat, Berwick and Wangaratta, and construction on all four TECS is scheduled to be completed in mid-2009. With the Heidelberg TEC, construction is expected to commence in mid-2008.

We have seen 80 students enrolled at Ballarat, 65 at Berwick and 188 at the Wangaratta TEC. The Wangaratta TEC has extended its program somewhat and is providing enrolments for 250 students enrolled in what is known as a TAFE Taster Program, giving young people — I believe it is at the year 9 level — more exposure to the vocational training system. So in terms of how that impacts on future initiatives, this is a great example of where we are providing more vocational opportunities for young people within our technical education centres, and this means they do get to see a broader range of options that are on offer, and the TECS do provide a very broad range. Whether it be apprenticeship, pre-apprenticeship traineeships or VCAL opportunities, it is a very broad range of programs that can be on offer through our technical education centres.

The other initiative that I would just like to briefly mention that has come a long way over the last financial year has been the establishment of our skills stores. The statement provided for the establishment of 13 skills stores, and the first five commenced operations in July of last year. In their first six months of operations they have helped over 1500 people. Remember, the skills stores are literally on the street front. People can walk in and get advice free of charge on what sorts of skills they have, skills they have picked up on the job or skills that they had previously. If they have been out of the workforce for a while raising kids, they can come in free of charge, have their skills assessed and then be provided with assistance to connect to a training program. Some eligible people can access a \$250 grant to assist with the costs of their training. Seven more skills stores opened up for business in January 2008, and we have got the final one opening up in central Melbourne in July of this year.

I just want to mention — because it goes back to a previous conversation we were having about the drought — that we accelerated the opening of the skills stores in regional areas as part of our drought response because we

recognise, as I mentioned before, that the downturn in the agricultural sector means that there are people with skills who need assistance to be transferred into new employment opportunities. So we accelerated the opening of the skills stores in regional Victoria as part of our broader range of drought response measures to make sure we are providing assistance on the ground to people who have been affected by the drought.

**The CHAIR** — Dr Sykes may wish to take some of these matters up.

**Dr SYKES** — I am going to focus on the apprenticeship assistance scheme. Mr Jasper, the member for Murray Valley, raised it in Parliament on Wednesday evening. The issue is, Minister, as I understand it and as Mr Jasper understands it, that to be eligible for I think it is called the apprenticeship assistance scheme or assistance, you need three or more apprentices in your employment. As Mr Jasper has pointed out, that disadvantages a large number of small businesses that employ a large number of apprentices, particularly in country Victoria. Can you confirm that my understanding and Mr Jasper's understanding is correct and then provide a basis for why that threshold is there and advise what offsets there are to ensure that those small businesses and the apprentices employed by those small businesses are not discriminated against?

**The CHAIR** — Minister, it may well be a question for the Minister for Finance, WorkCover and the Transport Accident Commission, who is appearing on Monday, but please answer insofar as it relates to your portfolio.

**Ms ALLAN** — Certainly. I must have missed the member for Murray Valley's contribution in the Parliament, but I appreciate your bringing it to my attention.

**Dr SYKES** — You were building up to your own.

**The CHAIR** — On the state taxation bill.

**Dr SYKES** — It was a very good presentation.

**Ms ALLAN** — The apprenticeship and traineeship completion bonus has been funded for an additional year in this year's budget at \$25 million. This is a scheme that has been in operation since 2003, and the member for Murray Valley is correct in identifying that it goes to employers employing three people or more. The operation of this scheme is something that we will be reviewing post the finalisation of the skills reform agenda, because that complaint that has been raised by the member for Murray Valley has also been raised in other areas with me.

**Dr SYKES** — I think I raised it last year, actually, in this committee, Minister. It is not a recent call.

**The CHAIR** — I am sure Labor members of Parliament have also raised it.

**Ms ALLAN** — It is something that we are examining. However, I would also point out that we have other initiatives to support apprentices in Victoria. There is the \$500 apprenticeship trade bonus which is paid in two instalments of \$250 each, to encourage people to go on with their apprenticeship. It is paid at the completion of six months and then at 12 months to provide a bit of a boost to them to continue on with their apprenticeships. And we increased the overnight allowance; we tripled the overnight accommodation allowance for apprentices. This is important in helping particularly people from regional Victoria who often have to travel to undertake their training. These have been additional initiatives, but I will certainly — —

**Dr SYKES** — Is there a threshold of three for that overnight allowance?

**Ms ALLAN** — No. For those other two, the eligibility is straight up; you have to be in an apprenticeship. I certainly have taken on board those comments regarding the apprenticeship completion bonus.

**Mr NOONAN** — Minister, I want to ask a question about the WPP program and critically acknowledge that it has been a program which has helped youth offenders transition from custody into the community and ultimately into work. But in terms of the new workforce partnerships program funded at 7.5 million and the indigenous youth employment program, I wonder whether you might talk about the key features of those, particularly focusing on those that might be deemed disadvantaged.

**Ms ALLAN** — One of the consequences of having very strong jobs growth over the past eight years and the additional jobs that have been created is that there are still groups of people within our community who are

faced with a range of different barriers to undertaking employment. So whilst we are very pleased to see low unemployment rates and the creation of over 446 000 jobs over the past eight years, we do know that we have to continue to support people who face a range of barriers to participating in the labour market. That is why back in 2005 we established the Workforce Participation Partnerships program, and since that time we have committed almost \$30 million to that program.

To brief the committee to date, we have developed 144 projects under this fund that have involved 1500 individual employers, and that has seen the outcome of 3000 jobseekers going on to sustainable employment outcomes. Importantly sustainable employment outcomes mean having been in the job for at least 16 weeks. So it is not just a matter of getting someone to the door; it is about making sure that they stay in the job for at least 16 weeks. So it certainly has exceeded expectations, but it has also, pleasingly, been able to target particular niches or particular sectors of jobseekers who do need some specialised assistance.

Wade, I know that you are very well aware of the Bridge Project that is run by the YMCA at the Malmsbury Youth Justice Centre. I think it is important to spend a little bit of time just talking about this project, because it does highlight that with some targeted government assistance you can have a significant outcome in supporting, in this case, disadvantaged young people to go on and have a real go at getting into the labour market. Through the funding of the Bridge Project we have seen over 30 young people in the last 18 months who have participated in this project successfully transition into employment, and importantly there has been no return rate of these young people back to Malmsbury. We know recidivism is a particular issue, both for prison populations as a whole but particularly for making sure young people do not return to the criminal justice system. So this program is really helping make sure that they do not just leave Malmsbury Youth Justice Centre but that they do not come back and that they go into a sustainable job outcome.

KPMG has undertaken an analysis of the cost benefit of this project and has confirmed that this is having a significant impact on the Victorian economy both in terms of the productive outputs of the people going into employment but obviously of course in terms of the reduced cost to the state from these people not returning to the juvenile justice centres. It is a terrific project, and it is just one of a number of examples of projects that are funded through what was known as the WPP. This budget provides funding for the New Workforce Partnerships program with an additional \$5 million to continue the good work of the WPP and to continue to really focus in on the groups of people who are most disadvantaged and need the most assistance to get into the labour market. That is why we have also established a dedicated \$2 million fund for our Indigenous Youth Employment Program, which is going to help provide pathways for young indigenous people to enter employment, again providing practical things which sometimes in this case young indigenous people need to be able to participate in the labour market by providing mentoring, training and support, and helping to link them to a range of career opportunities. This has been a very important and a very targeted way to help some of the most disadvantaged in our community. As the unemployment rate continues to drop, we continue to see people who miss out. Without some intervention they will continue to miss out, and we want to make sure we can maximise their participation in a productive economy, because it is particularly important for their own personal wellbeing and outcomes.

**Mr DALLA-RIVA** — I refer you to the service delivery budget paper on pages 154 and 155 in the context of the forward estimates in relation to the funded student contact hours and also the percentage of TAFE graduates and some of those performance measures. I understand you have released a discussion paper in respect of VET, if my information is right.

**Ms ALLAN** — Yes.

**The CHAIR** — You referred to it earlier in your presentation.

**Mr DALLA-RIVA** — I understand that people are invited to make comment on the discussion paper by 10 June 2008, and I understand there are proposals for it to be in place by January next year. Whether that is right, I do not know, but irrespective of that, there is a period in the forward estimates where they are making an impact on some of the recommendations that are considered. I know that on page 15 of the discussion paper it talks about interstate fee comparisons in relation to VET students. There is discussion there about VET students paying their fees up front currently, and you are looking at an income-contingent loan scheme for VET students. But I also note that in the context of the interstate fee comparisons we are the lowest there, so I gather in the forward estimates you will be looking at perhaps bringing parity to some of the other areas. So I ask: have you given consideration in the forward estimates to the increases in terms of fees to students potentially, the impact that that may have on the



budget, the impact that it may have on the percentage of TAFE graduates who complete the courses, and any other impacts you may see if this model is proposed to be put forward into the next period?

**The CHAIR** — Minister, there are some hypotheticals there, but insofar as you can answer that one, please do so.

**Ms ALLAN** — There are a few hypotheticals, and I guess I will start with the first assertion of what may come as a result of the reform program starting on 1 January 2009. That certainly is not set in stone. Given that a number of our TAFE institutes particularly are already planning and have already done the marketing for 2009, we have to take into account any proposed changes and how that might impact on their current level of activity. In terms of anticipating future impacts on the budget, I am probably not in a position to be able to outline that to the committee today because we are still in the discussion and consultation phase, and that will inform the future model that I will be putting forward. Of course in putting forward a future model that may involve fee increases and that may involve an income-contingent loan, we will absolutely be looking at what that means to our forward estimates, because we want to make sure that the intended outcome of this process and of the discussion-paper process is to bring more people into training and to bring more of those 1.4 million Victorians without a post school qualification into training. To do that, we need to look at additional sources of revenue, from government to individuals and businesses as well, which is why the consideration of an increase in fees is on the table. To consider an increase in fees you have to make sure that there are equity measures in place to ensure that people do not miss out, which is why the income contingent loan is under consideration. Insofar as it impacts on the forward estimates, that is something I think is for future discussion with the committee.

**The CHAIR** — That concludes the consideration of the budget estimates for the portfolios of regional and rural development, skills and workforce participation. I thank the minister and departmental officers for their attendance today. The committee has a couple of issues it will follow up with you, and there may be some other questions which we will forward to you at a later date. We request that a written response to those matters be provided within 30 days.

**Witnesses withdrew.**