

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2012–13

Melbourne — 15 May 2012

Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr P. Hall, Minister for Higher Education and Skills,

Mr R. Bolt, Secretary,

Ms K. Peake, Deputy Secretary, Higher Education and Skills Group,

Mr J. Miles, Deputy Secretary, Infrastructure and Finance Services Group, and

Mr D. Clements, Executive Director, Tertiary Education Policy and Strategic Projects, Department of Education and Early Childhood Development.

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2012–13 budget estimates for the portfolios of higher education and skills and the responsibility for the teaching profession. On behalf of the committee I welcome the Honourable Peter Hall, MLC, Minister for Higher Education and Skills and the Minister responsible for the Teaching Profession; and from the Department of Education and Early Childhood Development: Mr Richard Bolt, secretary; Ms Kym Peake, deputy secretary, higher education and skills group; Mr Jim Miles, deputy secretary, infrastructure and finance services group; and Mr David Clements, executive director, tertiary education policy and strategic projects. Members of Parliament, departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings I remind members of the public gallery that they cannot participate in any way in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing to provide information to the minister, by leave of myself as chairman. Written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room, and no more than two TV cameras are allowed at any one time in the allocated spaces. I remind TV camera operators to remain focused only on the person speaking and that panning of the public gallery, committee members and witnesses is strictly prohibited.

As previously advised to witnesses here today, I am pleased to announce that these hearings are being webcast live on the Parliament's website.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. This committee has determined that there is no need for evidence to be sworn; however, witnesses are reminded that all questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days of this hearing. Unverified transcripts and PowerPoint presentations will be placed on the committee's website immediately following receipt, to be replaced by verified transcripts within five days of receipt.

Following a presentation by the minister, committee members will ask questions relating to the inquiry. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off.

I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the higher education and skills portfolio.

Overheads shown.

Mr HALL — Good morning, Chair and members; thank you for the opportunity to present to the committee again this year. In a short presentation, I want to give you a quick overview of the budget outcomes for higher education and skills and also a little bit of background to how those outcomes were determined.

First of all there is a set of slides here, which I will run through quickly. The first of those slides now on the screen gives you the headline items in respect to budget outcomes in the higher education and skills funding group. This is the four-year cycle where funding for skills is lapsing, and so there is a commitment by the government of \$1.0334 billion to fund our skills training beyond the base figures over the next period of four years. I want to simply point out, too, in passing that this four-year commitment in the funding for skills training in Victoria is the biggest four-year commitment ever, and so it is a substantial investment that the Victorian government is making in skills. Asset funding of 25 million in the budget, you will have noticed, is concentrated towards improving assets in regional TAFE institutes.

The next slide gives, by way of background, the growth in training delivery, and the purple or mauve bars there represent what funding was expected to be applied over that four-year period. The first, 2008–09, was approximately \$800 million a year being spent on training, and the subsequent three mauve bars say what was

anticipated that the growth in funding will be. The red line indicates the actual measurements, and so you can see that there is some significant difference between the red and the mauve line. The output for 2011–12 is expected by 30 June to reach \$1.3 billion — significantly more than that predicted and forecast, of \$900 million. The green bar represents the funding allocated in this year's budget for the 2012–13 period for subsidies — that is, the amount that we are applying for subsidised training. That figure is \$1.2 billion.

If we skip to the next slide, there has been substantial growth, as indicated by that red line on the previous graph, and this just gives you some examples of where that growth has been. I want to point out, Chair and members, that some of the growth is excellent — some of it is very good, and it is in areas where we have needed it — and some of it is in areas where there is not such a need for that training, at that level at least. On that slide, I have just chosen a few because some of the bottom ones — certificate III in plumbing is apprentice plumbing, so the increase there has been good, as in aged care. But if you look at some of the lower levels — the certificate IV in fitness and the certificate II in customer contact — then the effectiveness of that training is not as valuable in terms of leading to employment outcomes but also to what the Victorian economy actually needs. I just give that by way of example.

It is true, as has been said, that much of that growth over that four-year period has been in private training, such that now the split between government or public and non-public provided training is in the order of 60-40 or thereabouts — that is, 60 per cent is undertaken by publicly owned, about 50 per cent is TAFE, about 10 per cent is adult community education and about 40 per cent is delivered by private RTOs. That has grown fairly significantly from about 15 per cent private in 2008 to about 40 per cent now.

Skipping to the next slide, this is important when we skip to the context of the setting of subsidies and priorities for TAFE and non-TAFE. That gives you an overview of the sort of profile of delivery within TAFE institutions as opposed to private institutions. It is there, so I will not read it all, but you can see that there is a focus — TAFE has a broader range of courses and a much stronger focus on areas such as foundation and trades training than the private sector.

The next slide leads to challenges of managing this growing market. When that comes back you will have the presentation in front of you; it is slide 7 in your presentation packs. When this new system was introduced — and it was effective from 1 July 2009, introduced in 2008 — there was an entitlement and moving to an uncapped demand-driven market, which was the first for Australia and probably the first in the world in terms of this sort of training model. As such, there were challenges to make sure that the market was delivering what is needed: what the economy needs, what individuals need, what industry needs. So there has certainly been a challenge in managing this market, and some of these management issues are the backbone of the refocusing of TAFE and the changes that have been made.

There are two key words in all of this — that is, 'quality' and 'relevance'. The issue of quality is one that I have said is an absolute priority and we have put in changes to ensure that quality is enhanced.

The next slide simply talks about some of the measures we have taken in making sure that we manage the quality. We have put in some tougher hurdles for those seeking a government contract to deliver subsidised training. We have required them now to disclose up-front what sort of fee levels et cetera have been put. There are also going to be stronger monitoring and compliance checks. We will have a new marketing monitoring unit to gauge the effectiveness of this market, to make sure it is leading to meeting industry needs. Also there will be an opportunity for industry to be directly involved in the quality of that product. We also know that good markets depend on good consumer knowledge, and to that effect there are efforts to enhance consumer knowledge and consumer choice.

On the area of relevance, some of the changes are the mechanisms by which that market will be managed, and that is by having subsidies. You will have noted already in budget material that we have divided the 1000-odd courses — there are 1050 or thereabouts courses currently delivered in Victoria — into five categories, with funding levels applicable to what is the biggest economic value of those training courses. Some of the impacts are there. It is important to note, I think, that about 21 per cent of courses will actually receive an increase in funding over what they have had in the past; another 15 per cent will receive around about the same, within 5 per cent of funding previously received.

The next slide on relevance just talks about the way that we are going to have industry involved in all of this. Again it is important that the significant investment that both the public makes and individuals make towards their training has a worthwhile outcome at the end. We want to make sure that training is fit for purpose. Consequently, in terms of relevance, we are ensuring that industry has a front seat in all of this and some of the changes to the industry engagement model have been outlined.

Finally, I want to skip to a slide which is headed 'Maintaining opportunity', because in all of this there is certainly consideration of making sure that everybody still has opportunity to undertake training in Victoria. In some of those areas we have ensured that the concessions will still apply. We have ensured that young people of lower socioeconomic status will still get some support in their training by way of an increased loading to their providers. Indigenous Victorians and regional students — there are also loadings applicable to them, so that there is an opportunity for people to participate.

We have also expanded the entitlement in a key and important area — that is, those who hold the VCE or VCAL qualification over 20 will be able to participate and receive government subsidy for a certificate II level training, which is important. It is important when you are looking at pre-apprenticeship programs, because many of those pre-apprenticeships are significant programs.

There are a couple of areas of assistance provided as part of the response to protecting Victoria's vulnerable children. There is some entitlement there for a zero fee placement for those children either in out-of-home care or recently out of out-of-home care.

Finally, just to sum up on this particular matter, we have looked at the way the system has operated in Victoria over the last four years. While it has been a model worth pursuing — it was a model implemented by the previous government — there were weaknesses to it. So what this budget does is bring together some substantial refocusing of that system to sharpen it up, to make sure it is of sound quality, to make sure that the funding for it is sustainable in the long term and to make sure that it is relevant.

Finally, I just want to say — I think members would probably be aware — that there are a series of information booklets on this, which are on the government website, www.education.vic.gov.au, refocusing VET. There is significant material there which embellishes much of what I have said there very quickly and perhaps embellishes some of the issues that will be teased out during the course of the next 50 minutes or so.

The CHAIR — Thank you, Minister. As the minister has indicated, the remaining time, nearly 50 minutes, is allocated to questions on the higher education and skills portfolio. Minister, given the key growth and efficiency initiatives announced in the budget can you please outline for the committee the likely impact of the budget on enhancing service delivery, promoting productivity and achieving efficiency gains within your portfolio? In your response, could you also indicate how you intend to monitor the portfolio's effectiveness in maximising improvements in these areas?

Mr HALL — Thank you, Chair. A very broad question but again a relevant question because the whole purpose of the refocusing of vocational training in Victoria was to achieve exactly what your question asks of it — that is, to promote productivity, to achieve greater degrees of efficiency and also to enable efficient service delivery. In terms of promoting productivity, it is important for a training system to deliver well-skilled people fit for purpose so that industry is being supplied with those people with the skills that they need. It is also important for individuals to have the opportunity to reach their ambitions of pursuing a vocational career of first choice. So the whole refocusing of the VET system seeks to achieve that.

The investment that the public make in training and that investment that a private individual makes in their training is a significant investment. What we need to ensure is that both the public and private investment that they make is one which leads to a productive outcome at the end. That is why we are trying to make training more relevant. That is why we are employing the services of industry and putting them into a front row advisory position, assisting in terms of directing exactly what skills they want of their employees. Much of the effort will be in including industry to ensure that the training is relevant.

I think it is also important in responding to your question that some of those inefficiencies are addressed by way of mechanisms to ensure that that training dollar is well spent. In particular I point to the opportunity that some have taken to exploit what is a fairly generous market-driven system. While we have heard of dodgy providers and the like, some who seek to capitalise on the system, let me say that it is important that there be quality

controls over the whole system. In that regard we have taken measures not only in this budget but since the last budget to implement a number of measures to ensure that there are reasonable levels of enrolment.

We have had instances where some institutions have enrolled people in up to seven courses simultaneously, we have had instances where providers have been giving free giveaways as part of their training and we have had instances where there seems to have been an extraordinary growth in RPL — recognition of prior learning. What we have done is to ensure that areas like that have been tightened up to make every effort to minimise any of those inefficiencies within the system.

In terms of information and quality, which is another important point that I mentioned in the slide presentation, a market-driven system is as effective as the knowledge of its consumers. What we want to do is to make sure that consumers are aware that their investment is one in which there is going to be a positive purpose at the end of it. What we are in the process of doing, and we have provided appropriation for it in this budget, is the development of a website, which will enable people to compare information about the courses available to them. Part of the new disclosure requirements will require providers to put costs, fees and charges against that so people understand exactly what it is going to cost them, and what we hope, Chair, is also to put in place some industry acknowledgement or recognition or rating of course provision. This is something we plan to trial, so that when a consumer looks at a course and there is some assignment to industry's assessment of the quality of that course we believe that will be helpful as well.

Finally, in terms of how we intend to monitor all this, again it is through the market-monitoring unit, which I mentioned in my presentation. We will have a monitoring unit that will make that ongoing assessment of whether the training is in an area of need and whether there are particular issues in terms of quality or complaints about training. That market-monitoring unit will also incorporate a rapid response team, which will have the ability to respond immediately to areas of concern that have been raised.

As I said, it has been a training market that essentially was introduced in 2008 that had the right elements to it but it needed to be refocused, it needed to have those measures to make sure that training in Victoria was both efficient and of a standard that people would expect.

The CHAIR — Thank you, Minister. Briefly could you please inform the committee what you consider to be the likely impact on the training industry and stakeholders in the education and training sector as a response to your portfolio initiatives?

Mr HALL — Some of the responses that we expect out of this is that we will continue to provide choice of training opportunities for young and old people alike. It is not only young people who engage in training; in fact I think the average age of those people who enrol in various training programs throughout the state is in excess of 30. It is people of all ages who are engaged in training activity. As I said, we will maintain choice between public and private provision. Perhaps I should make a comment about private providers now. There has been a lot of commentary around that this training budget is centred purely on the private and not TAFE, or that TAFE bears an undue proportion of it. People paint a dark picture of private providers, which now occupy 40 per cent of the market, but whenever I can I remind people that private training companies include group training companies that employ 13 per cent of Victorian apprentices. They are very worthwhile organisations, as I am sure members will agree, and some are long-established private providers as well.

There are about 500 private providers, which are contracted to deliver government subsidised training. Many of those are fine organisations. Yes, there are some which we have responded to and acted upon and taken issue with, but generally speaking the outcome of these changes will continue to provide choice and will continue to provide opportunities for industry involvement, which as I have said in some of my remarks we see as a priority.

The other thing I want to say is that it will give the opportunity for students again to participate in training. I think we have an appropriate balance where we have recognised the need for concessions. We have recognised the need that delivering in regional Victoria is sometimes costlier, so there is a 5 per cent loading for all delivery in non-metropolitan areas. Again through some of the measures we have applied we are continuing to provide opportunity for people from a low SES background. I expect that the market will continue to grow, but I do not expect it to be growing at the same rate as that sharp red line on slide 2 of the presentation I made before, because there has been a 44 per cent increase in training since 2008, 29 per cent of that in the last 12 months.

Some of that is opportunistic training, so I think there will continue to be growth but there will be a flattening of that growth.

Mr PAKULA — Minister, you have talked during your presentation on a number of occasions about the basis for funding in the future, and you have talked in the presentation about ensuring the relevance of training and maximising public benefit; you have talked about value to the economy. I have had a look at the *Refocusing Vocational Training — Course Subsidy List*, which goes along with the decisions made in the budget, and I am wondering, given the government's stated priority for changing the funding rates based on relevance and on contribution to the economy, why it is that a course like a certificate III in hospitality is funded at \$1.50 per hour, a certificate III in business at a \$1.50 per student hour, a diploma of agriculture at \$5 an hour, but a certificate III in circus arts is funded at \$7 per student hour?

Mr HALL — I am pleased that Mr Pakula has had a look at the *Refocusing Vocational Training — Course Subsidy List*, because I think it is an important document, and that is why I was very keen to make sure it was published — so that people understood very clearly what level of subsidy the government was prepared to apply to each of the 1050-odd training courses. This is being absolutely up-front and transparent.

The exercise that was undertaken through the department, the office of the Higher Education and Skills group, looked at each of those areas and made a decision, a judgement, as to the level of subsidy support. As I said, it categorised them into five categories. In some instances where there is a diploma and advanced diploma, those students are able to access VET fee-help. Consequently there has been a reduction in some of the subsidies that apply to the diploma and advanced diploma level because of that availability, in the same way as a person who attends university would acquire a HECS debt; that is available to those students.

In the assessment the five grades were rated basically on the premise of those skill areas that were either in shortage or were important to the Victorian economy. Consequently that is why every apprenticeship program listed in this document will see an increase in funding. In other areas there was a judgement decision taken as to whether there had been a lot of enrolments in those and therefore whether the price that the government was paying was lucrative — is a term that we could use in respect to that. But again they were graded into those five categories according to skill shortages, areas of need within the Victorian economy and areas where there seemed to be an excessive number of enrolments.

In regard to the particular one about circus arts, I might ask Deputy Secretary Kym Peake to explain that —

Ms HENNESSY — Not enough clowns in Victoria?

Mr HALL — because it is a management function that has been made for categorisation of those 1050-odd courses.

Ms PEAKE — Sure. One of the other factors that was very important in thinking about subsidy levels was the level of demand and where subsidies were needed to ensure either delivery or take-up. In relation to circus arts there are a very small number of people who enrol in this course, so it is quite expensive to deliver. So that was an important factor in looking at the weighting that it received and the level of subsidy it therefore attained.

Certainly a lot of arts courses were reduced in subsidy, but circus arts was one where it was maintained at a pretty similar level to what it is now.

Mr PAKULA — Thank you, Minister, and thanks, Deputy Secretary. I suppose my follow-up is just this: when you very publicly expressed the view, and as a minister you say, that the basis for funding in the future is going to be about relevance to the economy, maximising public benefit and the needs of business, it is very difficult to understand — and I think you are finding it very difficult to explain — why you would fund circus arts at a higher rate than business, agriculture, fitness, hospitality and the like. I must say I have heard nothing to explain why it is that circus arts should be funded at a higher level than all of those other much more relevant and beneficial to the economy courses. So is it really the case that it is about benefit to the economy and relevance when you can fund circus arts at a higher rate than all of those other disciplines?

Mr HALL — As I said in my answer, the overall answer is that there is a balance between what is needed in the economy, wherever those skills shortages are, and achieving personal ambition. I think there should be some opportunity for people to pursue a vocation of their choice. It is not as if there is an oversupply or overdemand

of people to undertake a particular program like circus arts. I am sure, Mr Pakula, through you, Chair, we could go through that list and we could all pick out an area or two which we think might be anomalous in some regard. But importantly, in respect to all of this, there is a market monitoring unit, as we have indicated, which will keep a watching brief throughout the demand and enrolment patterns in each of these particular programs, and if we have it wrong, there is an opportunity to correct that on an ongoing basis. So we will monitor it — —

Ms HENNESSY — To have missed out.

The CHAIR — Minister, through the Chair.

Mr HALL — And so as part of the monitoring unit we will have an ongoing watch on the effectiveness of this and whether it is leading to the right balance, as I said, between the needs of the Victorian economy and personal ambition.

Mr MORRIS — Minister, can I ask: what has been the financial impact of the introduction of an uncapped demand-driven training system, and how do the outcomes from that system compare with the original forward estimates?

Mr HALL — Thank you, Mr Morris, for that question. It is an important question because if we go back to that slide — I think it was slide 2 that I had there before — if we look at the mauve bars in that graph, which show the expected expenditure over those four years, as opposed to the red line which is actual expenditure over that period of time, there is some significant difference. Consequently what I am keen to do is to make sure that we develop a sustainably funded system into the future. We can see with the patterns of that red line that that poses some problems no matter who is in government.

It is also instructive to look back to the document I have in front of me called *Securing Jobs For Your Future*, and I am happy to table this if the committee so chooses. This was a document produced in August 2008 by the then government which set in place this new market-driven training system. Indeed if you look at this particular document and the funding that has been applied to this, the foreword talks about \$316 million being applied by the previous government for four-year funding of this training program. Page 33 of this document gives you a breakdown of that \$316 million, and for training on demand with contestable funding, the figure applied to that was \$139 million. So, Mr Morris, what was given here was that when this new system was put in place, the \$800 million was expected to grow to 900, as I said, but an increase in funding of \$139 million over that period of time was provided for. If you add up the differences between the mauve graphs and the red line, it is over \$1 billion in difference; it is about \$1 008 000 000 in difference. So this is one of the legacies that we had to look at in terms of providing for sustainable funding in the future. We simply could not have that sort of level of difference and continue at that rate without provision for it.

This has been a horrible cost burden that we have borne, but we have met that cost burden, and moreover what we have done is to set in place a sustainable funding future by setting it level at the green bar at \$1.2 billion and over the next period of four years. So it is a significant investment that has been made in training — an investment that has been made difficult because of the huge legacy of the unfunded component that was left to us when we came to government.

Mr MORRIS — I do not know whether that document needs to be formally tabled, but certainly if it could be made available to the committee, that would be useful.

The CHAIR — The minister has indicated that he is happy to make it available, so thank you, Minister.

Mr SCOTT — Minister, I take you to the questionnaire, which the department provided to this committee, and in response to question 4.2, there was an outlining of \$228.4 million of reductions in funding that had to be found in this year's budget for the Department of Education and Early Childhood Development. Could you outline to this committee what proportion of that \$228.4 million of reductions in funding would be met within your areas of specific responsibility — so for higher education and skills — and what this means in terms of staff cuts, savings, reduction in programs, ceasing programs et cetera.

Mr HALL — What question and page was that?

Mr SCOTT — It is question 4.2, which is across pages 14, 15 and 16 of the questionnaire. So it essentially outlines what efficiencies need to be found for the 2012–13 budget year across the whole department. I am really asking, in your direct areas of responsibility, what proportion of that — so, what number and what that means in terms of programs and staffing.

Mr HALL — Thank you for that question. The skills area is somewhat different to other areas of the department because it is a market-driven system, and consequently I cannot say that we have a fixed amount of dollars to spend on training delivery in Victoria, for example, because under a guarantee, under a student entitlement, that will vary according to student enrolments. Consequently I cannot earmark an exact figure to apply out of this program because of the variability of outcomes provided for market delivery. Consequently in terms of specific savings measures, the overall changes that we have taken in the training system in Victoria constitute significant efficiencies within the education budget, so in terms of meeting the dollar figures as responded to in question 4.2 of the questionnaire, none of those specific measures came directly from the skills budget, given the nature of the training market and the fact that there is no defined and specific end point.

Mr SCOTT — Could I seek clarification, then, that the \$228.4 million that is referred to in that budget paper — and I am not expecting you to add up the figures, is the total of the reductions in funding that are referred to in that question — that it all applies to other areas of the department, just to clarify that. So if I understand your answer correctly, all of that reduction in funding applies to other areas of the department?

Mr HALL — Some of the measures, like the sustainable government measure, where there were some reductions in terms of public servant positions, will be shared across the higher education and skills group, but in terms of specific program savings, none of them apply to higher education and skills.

Mr ANGUS — My question is in relation to the TAFE teaching staff multiple business agreement. Minister, can you advise the committee: is it a fact that this current agreement expires on 30 September, and if so, what impact will this have on TAFE institutes beyond this date?

Mr HALL — Thanks for that question. The answer to your question is: yes, it is true that the multiple-business agreement entered into by all TAFE institutes does expire on 30 September this year. So this is certainly a year for EBA negotiations, and each of the TAFE institutes as employers of these staff will have to make EBA arrangements and enter into negotiations.

The previous EBA was for 2009 onwards. It was one that was struck under the previous government, and all 18 TAFE institutes in Victoria were required to enter into a single EBA. Hence it is called a multiple-business agreement across all 18 TAFE institutes. This government has now made the decision that we will allow each of those TAFE institutes to negotiate their own EBA with their own staff if they so choose. One of the reasons for that is that we certainly believe that there are opportunities for some great efficiencies in that EBA, because if you look through the current Victorian TAFE teachers staff multiple-business agreement of 2009, there are some pretty-good-if-you-can-get-it provisions within that particular EBA. One of them relates to the attendance time. It is a little known fact that under this particular provision of the EBA, clause 15.1, TAFE teachers are only required to be at their workplaces to attend duties for 30 hours per week. They are paid for 38 hours per week but are only required to attend for 30 hours per week. The common practice is that for their positions they have that day off a week. Some of them play golf. Some of them go back and work in the trades area, but when they are being paid a full salary for a requirement to attend for just 30 hours of the 38 hours of the week, it is pretty good going. Also there are the normal provisions for higher duties, excess hours, annual leave loadings and travel et cetera. There is also provision within this EBA for sabbatical leave every five years, which means that for every five years a TAFE teacher can receive sabbatical leave on 80 per cent of salary for that sabbatical year. So there are some particular provisions within this TAFE teachers EBA that others, I am sure, in the workforce would look at and their eyes would go up, because there are some pretty, as I said, good-if-you-can-get-it provisions within there. I think that has been an impediment to the efficiency and the competitiveness of our public providers, and with TAFE institutes' ability to negotiate their own EBAs I would hope there will be some real efficiencies which arise out of that.

Ms HENNESSY — Minister, I wanted to ask you a question about TAFE staff redundancies and in particular what redundancy provisions are going to apply for TAFE teachers. Can you confirm whether or not they will be eligible for state government voluntary or compulsory redundancy packages and where do the provisions for that appear in the budget papers?

Mr HALL — Chair, through you I thank Ms Hennessy for her question. Part of the commitment given by the government is to work with each of the TAFE institutes in how they adapt to these new funding arrangements. I have made a personal commitment, as has the department, to regularly meet with them to discuss with them what their transition plans are to this new funding agreement. To that effect both Kym Peake and Richard have already commenced an initial engagement with each of the 18 TAFE institutes, as I have independently of my department. I have already met 8 of the 18 and another couple later in the course of this week. During those engagements with them we will be talking about their plans for the future and how they will adjust to the new funding arrangements. Part of that will be looking at course provision, and in terms of course provision that has an impact on staffing as well.

I think it is also important to know that in respect of these matters part of the process will require the TAFE institutes to formally come back to government with a formal business proposal about how they propose to transition to these new funding arrangements. At that point of time there will be a clearer picture of any course changes or staff changes that are required of them. If there are particular issues to be dealt with at that point of time, that will be a separate consideration of government.

The other thing I wanted to say in all of this is that some TAFE teachers are fixed term and some are ongoing employment related. There is a greater degree of casualisation in TAFE teaching than there is in school teaching. That issue about provision, if redundancy payments are required, will be the subject of a further consideration by cabinet at the appropriate time.

Ms HENNESSY — Just a quick follow-up, Minister. Given that 14 TAFEs had operating losses and many have very little reserve funding capacity, I just want to clarify what exactly your evidence to this committee is. Is your evidence that there is provision in these budget papers to fund those redundancies? I accept and understand that you say that you are having further negotiations with those TAFEs, but many simply do not have the money, and I would just like to understand where is the line item in the budget where that funding and that provisioning would come from the state — or the state contribution thereto?

Mr HALL — I think it is budget paper 3 that outlines the appropriation to the Higher Education and Skills group of about \$2.4 billion. That figure comprises amounts for subsidised training delivery in Victoria. It also include amounts that TAFEs themselves raise by way of their fee-for-service-type activity. There is also a component of capital appreciation, there is also a component of that for overheads — basically administration of the department — but within that there is provision for the type of needs that will arise from time to time, and there will be consideration of that after consideration of those transition plans I referred to before. That is the budget line item, if you like, where any of those amounts might be coming from.

Mr O'BRIEN — I would also ask you a question in relation to budget paper 3, the performance measures on page 112 and the first item there: 'Annual government-funded module enrolments'. I note there has been an increase from the actual at 2010–11 of 3.5 million to a target for 2011–12 of 3.7 and an expected outcome for 2011–12 of 4.8 million enrolments. But there is a footnote that relates to that expected outcome which says:

The 2011–12 expected outcome is higher than the 2011–12 target due to the better than expected uptake in VET participation following the first full year of implementation of the student entitlement system across all age groups and qualification levels. The 2012–13 target has been adjusted accordingly.

I ask you, Minister, how has the government managed this explosion in government-funded enrolments in certain courses and also the spiralling costs associated with that?

Mr PAKULA — By funding circus arts.

Mr O'BRIEN — I could ask you to join the ALP. You don't need a degree in circus arts there; you get one voluntarily upon membership.

The CHAIR — We were going so well. Just remember the calm and reasoned approach that you have taken for the first 45 minutes of this hearing, and see if you can emulate that for the rest of the day.

Mr HALL — Thank you, Mr O'Brien, for your question about the high growth in module enrolments and how we are managing that. It is true, and as I indicated on one slide there has been a significant increase in some courses over others. I repeat that since 2008 there has been 44 per cent growth in enrolments — much of that has been very positive and needed — and 29 per cent in the last 12 months, particularly in areas of disability, I

might add. Where there was some public criticism of growth in opportunity for people to train who may have a disability, there has been some significant growth in opportunities for these people — largely driven, I might add, by the adult education sector, and the private sector has also had a lot of the growth.

Nevertheless there are two issues which arise out of your question — that is, how we manage the growth where the growth is disproportionate to need and also the cost of that. In part I am needing to wrap in a couple of answers I have previously provided. The main market management tool that has been employed in this budget to manage the growth in training areas is to apply a greater level of subsidy to those areas where we want to see growth and a lesser subsidy to those areas that either are oversupplied or have not a great economic value to both the person and to the state.

In terms of cost, without repeating all the arguments that I gave to a previous question about cost factors, I have shown you the trend lines, I have shown you the difference in what was budgeted for in terms of additional cost and what the actual was and I have reminded members of this committee that we have met those costs by this significant four-year investment in training, the biggest investment ever over a four-year period. How have we met those costs? We are tightening down in terms of making training relevant, we are applying subsidies to encourage training in areas where there is need and we are providing significant funds from the public purse to assist in training areas where needed.

Mr PAKULA — I have just got, I suppose, a more general question about the funding allocation in the budget for TAFE. As you would be aware, in some regional communities in particular TAFE is not ‘a’ higher education option, it is ‘the’ higher education option. I have heard what you have said about negotiations, but can you at least give those communities some assurance that no regional TAFE campus is going to be required to close as a result of the decisions that you have taken in this year’s budget?

Mr HALL — Thank you for the question. Mr Pakula, through you, Chair, would be well aware of the importance that I have placed on diversifying the business of our TAFE institutes in regional Victoria, and he will have heard me speak before about the Regional Partnerships Facilitation Fund as an example of how we are looking to improve opportunities for young people in regional Victoria to access post-secondary education. We have gone to great lengths to establish better pathways between vocational and higher education, and that is a future direction that TAFE will build upon. So our regional areas in Victoria that do not always have ready access to higher education opportunities through their local TAFE institutes will have that opportunity more and more as programs like the Regional Partnerships Facilitation Fund progress.

In respect to the specifics of your question, consideration of the issue about campus viability is very much part of the transition plans that we are talking about with TAFEs now and developing with them. I am confident that TAFEs will be able to maintain delivery bases, and I can assure Mr Pakula through you, Chair, that my strenuous efforts and those of my department are to work with TAFEs to make sure that they have a strong and viable future and that they will continue to provide training opportunities for all those who live in regional Victoria. Your specific question said, ‘Can you rule out campus closures?’. I cannot rule out outcomes at this point of time, but I can say that we are working with them and I am confident that we will maintain the points of delivery of all of our TAFE providers.

Mr PAKULA — I would imagine that regional TAFEs would have wanted a bit more reassurance than they have just received. But from the general to the specific, Minister, you would be aware I imagine that the CEO of the Gippsland TAFE, which you would be very well acquainted with, has indicated that the Morwell and Leongatha campuses are in jeopardy as a result of the state budget. Can you give the committee some information about the current state of the Waratah Training Restaurant at the Morwell campus of Gippsland TAFE and whether or not that program is secure?

Mr HALL — As it turns out I will be in Morwell tomorrow and have made an arrangement to speak with the chief executive officer of GippsTAFE to get a better understanding of how the public claims that he made have been arrived at. I am keen, as I indicated in my answer to your original question, to work with those organisations and ensure that opportunities for delivery of training at places like Waratah restaurant continue to be available. So I will work with the TAFE institute, and as I said, I am meeting with them tomorrow to discuss that very matter.

The CHAIR — In regard to your presentation earlier, you referred to the market-monitoring unit and you referred to that again in response to my opening question, where you also referred to exploitation and dodgy operators. In fact you illuminated for the committee that about 40 per cent of training is now provided by private providers, including group training providers. I just wanted to ask, minister: what has the government done to reduce the number of unscrupulous providers in the market?

Mr HALL — I have directed the department to place a priority on following up every single occasion where a reported unethical behaviour is demonstrated within our training system. That applies to both public and also private providers. Consequently there has been a deal of action in respect of this particular matter; some of the raising of the standards that I indicated as part of our quality control measures have led to a number of private providers who are no longer contracted with the department to deliver subsidised training — some of them as a result of not meeting the new requirements, some of them simply not submitting themselves to meet those standards for a government contract.

There are a number of, well, famous, almost famous, or infamous provider cases now that have been out there in the market, some of which have been offering \$1000 in sponsorship to local sporting clubs and \$500 to individuals. I can say in respect to a particular provider who was engaged in that activity to a great extent that their contract has been suspended with the Higher Education and Skills Group and with VRQA — they are no longer registered — and in that particular case a demand for return of some funds has been sought following some specific audit investigations. I am not in the business of providing public funding to sporting clubs. I am providing public funding to assist with the training of people in this state, and so where there have been abuses of that particular nature we have been diligent in our pursuit of those. That will be enhanced with the rapid response unit that I mentioned before; that gives further opportunity to engage in that.

I also make this comment to the committee that you will probably be as astounded as I am at some of the advertising that takes place about how easy it might be to get a contract or a diploma or a degree and a qualification in a very short period of time. I know that regularly, through my fax machine, there is this super-duper offer that for attendance for a couple of weeks you can get a diploma-level certificate, and again we are clamping down seriously on that sort of behaviour. As I said, RPL — recognition of prior learning — is one of those areas which we are discouraging in some respects. Recognising areas of skills needs, we are paying full rate for recognition of prior learning, but in other areas there will be less of a subsidy for recognition of prior learning in an attempt to ensure that the skills of a person enrolling in the program are properly assessed rather than assessed purely for the purpose of getting a person through and receiving money for it.

Mr SCOTT — Minister, noting that Senator Evans has written to you on, I think it was, 10 May raising concerns over budget cuts and impacts on the national partnership agreements signed by Premier Baillieu on 13 April this year, if Senator Evans finds that the Victorian government has breached the spirit, intent and obligations of these COAG agreements, can the minister please explain the budgetary impacts of forfeiting, I think it is, 434.8 million in federal skills funding over the next four years?

Mr HALL — There is a bit of politics in this question, but I will try and keep it straight — not from you, I acknowledge, Mr Scott, but it seems extraordinary that Minister Evans would have allowed his correspondence to me to hit the media before it was in my hands. But that was the case.

Ms HENNESSY — Have you met your government, Minister?

Mr HALL — Sorry?

Ms HENNESSY — It is a common practice right here in Victoria.

Mr HALL — That was disappointing in terms of the way in which that inquiry from Minister Evans was conveyed to me. Nevertheless, in every respect in Victoria we meet the conditions of the national partnership — in every respect. Some of those conditions require an entitlement system at a certificate III level. Our entitlement system goes right through to diploma and advanced diploma, so we well and truly meet that. There is not one element of that national partnership agreement that we would believe that we are in breach of, and that response will be forthcoming to Mr Evans during the course of this week, having just received his letter at midnight on Thursday night of last week.

Mr SCOTT — Just to clarify: so you have not undertaken any contingency work at this point regarding that possibility of there being a reduction in funding?

Mr HALL — As I said, I think this is just a political kite-flying exercise by the federal government, and there is no doubt in our mind that we meet every provision of that required of us under the national partnership agreement.

Mr MORRIS — Minister, can I ask you what steps the government has taken to expand access to state government subsidised training or government-subsidised training for Victorians?

Mr HALL — Under the entitlement model, for people over the age of 20 their eligibility requires them to be upskilling, so that would mean that because a VCE graduate or VCAL graduate was deemed to have achieved a certificate II level, there would therefore be no government subsidy given to a person once they turn the age of 20 at certificate II level if they apply to do a certificate II course.

Certificate II training is important because it is commonly the pre-apprenticeship training. Most apprenticeships are at certificate III level, and it is common that the pathway to an apprenticeship would be at certificate II level. While we have kept the eligibility for apprenticeships to everybody, regardless of the qualification held, that had not been the case with those seeking to do a certificate II level. An expanded-eligibility part of this particular budget is a very important one because we are in the business of encouraging trade skills, and they are predominantly through our apprenticeship structure that we have in Victoria. That is why in two areas we are promoting apprenticeships in this budget — that is, by increasing the subsidy for every apprenticeship area and now making available the government subsidy to somebody who may have completed secondary school and decides, post the age of 20, that they want to engage in the pre-apprenticeship area. So in terms of that particular provision, it will be very helpful for us in meeting our vocational training skills needs into the future.

The CHAIR — Thank you, Minister. This concludes the period for questions for the higher education and skills portfolio. I thank Ms Peake and Mr Clements for their attendance. We will take a short break.

Witnesses withdrew.