

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2015–16

Melbourne — 14 May 2015

Members

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Witnesses

Mr Steve Herbert, Minister for Training and Skills,

Ms Gill Callister, Secretary,

Mr Rob Wood, Deputy Secretary, Higher Education and Skills Group, and

Mr Jim Miles, Deputy Secretary, Infrastructure and Finance Services Group, Department of Education and Training; and

Mr Julian Hill, Executive Director, International Education and Migration, Economic Development Employment and Innovation Group, 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 2015–16 budget estimates. All mobile telephones should now be turned to silent.

I would like to welcome to the hearing the Honourable Steve Herbert, MP, Minister for Training and Skills; Ms Gill Callister, Secretary of the Department of Education and Training; Mr Rob Wood, Deputy Secretary, Higher Education and Skills Group; Mr Jim Miles, Deputy Secretary, Infrastructure and Finance Services Group; and Mr Julian Hill, Executive Director, International Education and Migration, Economic Development Employment and Innovation Group, from the Department of Economic Development, Jobs, Transport and Resources.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing, including on social media, are not afforded such privilege. The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses 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 by Hansard. You will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, PowerPoint presentations and handouts will be placed on the committee's website as soon as possible.

Departmental officers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, 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 are to observe the following guidelines: cameras must remain focused only on the persons speaking; operators must not pan the public gallery, the committee or witnesses; and filming and recording must cease immediately at the completion of the hearing.

I invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

Visual presentation.

Mr HERBERT — Thank you, Chair. It is a pleasure to be here. I am more than happy to go through the basic presentation as you will see it on the screen. Can I just begin by saying that the government was elected in part on its concept of an education state where education is a major priority for Victoria and Victorians. We are committed to building a strong and sustainable high-quality school system, preschool, and of course a high-quality training and skills system in Victoria.

In terms of achieving that aim, it is absolutely vital that Victoria has a strong and stable public TAFE system where TAFEs are able to compete effectively with other training providers in an environment of quality training and with outcomes of improving employability for people and productivity for industry. In that context it is really vital that we have a broad range of offerings, that we have high quality, that learners who need extra help in terms of what they do are assisted and that at the end of the day our training system aligns with our *Back to Work* jobs plan.

However, in coming to government there were of course many challenges facing us, notwithstanding the critical point for the Victorian economy. We are seeing significant changes in terms of economic conditions and in terms of industries restructuring, and I believe there has never been a more important time to make sure we get our training and skills sector firing effectively so that the economy can transition and can thrive.

Unfortunately we do have a situation where our funding policies are unstable, where there have been cuts to public TAFEs and where there is great uncertainty around the quality of training. Indeed when I go around the state I hear that many industries are concerned that the training for skills they need is not happening or the skills are not guaranteed through the certification they are getting. We have also seen a decline in the number of VET graduates who are reporting that they have had improved employment outcomes following training. Apprenticeship and traineeship numbers have also been hit particularly hard, with the number of new students

halving between 2012 and 2014. That is why it is absolutely critical we address this decline, rebuild our public TAFEs and improve the stability of our training system.

The 2015 budget, as you are aware, comes at a critical time. It is designed to restore public TAFEs to provide better opportunities for Victorians to develop skills and to get a job. The TAFE Rescue Fund provides the remaining 300 million of the 320 million committed to that fund in the election. It includes \$100 million for capital projects and 200 million over four years to support TAFEs and meet their community service obligations. The funds for capital projects will help TAFEs reopen facilities, particularly at Greensborough and Lilydale, and will lead to more training, which leads to more jobs. Earlier this year, so that TAFEs could start the calendar year in a more solid position, the government fast-tracked the other 20 million from that fund to shore up the finances of seven struggling TAFE institutes.

We have also implemented a \$50 million TAFE Back to Work Fund, which supports the government's *Back to Work* plan to grow jobs and get people into work whilst improving the viability of TAFE institutes.

In terms of laying the foundations, the budget delivers on the key election commitments, including additional support for vulnerable young people, a scholarship fund for Victoria's best and brightest, and a new skills commissioner to better align training delivery of the skills needed by Victorian industries. These initiatives include \$32 million for LLENs, local learning and employment networks, which were in doubt of funding previously. It was an election commitment which has been fully met. It provides 8 million for a skills commissioner over four years, which will help better focus the skills needs of the Victorian economy with the skills that are being produced out of the system and will be essential in engaging industry and other stakeholders in that task.

There are international student welfare grants of 4 million. International education is absolutely vital for the Victorian economy. It is worth something like an estimated 4.7 billion. Some students come here and get into a bit of difficulty, and they need support. We believe that it is an obligation government should have, so from July 2015 grants of up to 50 000 will be available for organisations to support international students.

We also have the Sir John Monash Victorian scholarships. These are very high quality scholarships. Some of the brightest people in the land get them. The scholarships are \$180 000 per student over a three-year period for postgraduate study abroad across all disciplines, and we are providing 2 million to the Sir John Monash scholarship foundation.

We also have apprenticeship vehicle registration. This was another election commitment. There are thousands of trade apprentices who rely on their cars to do their job every day. They have had some cuts in the past from programs in terms of the tool allowance and other things. Many of them are doing it hard. This scheme provides 26.5 million for a 50 per cent discount on registration costs for trade apprentices who need their cars to do their job.

As we look ahead, of course, while this is a very good start in terms of rebuilding our system and strengthening our system for the future challenges ahead, we are not resting just on the budget. Given concerns about the quality of training, I have implemented an independent review of quality by Deloitte. That will report soon, and that is aimed at strengthening our quality assurance measures and stamping out the dodgy providers that we have read so much about in the paper.

We are also doing a major review of the VET funding system so that we can get a stable funding system for the long term, for industry security as well as for vocational providers, which were being impacted by constant changes to subsidy rates. That review is being undertaken by Bruce Mackenzie, formerly of Holmesglen, well known in both public and private sector, as well as deputy Neil Coulson, formerly of VECCI, who is there to ensure that industry and business views are put to that review.

In terms of international education, we continue to support sustainable growth onshore and offshore. It is one of those priority sectors the government has identified. It is important that we drive sustainable international education. We need to diversify the places students are coming from. Currently most students come from China, India or Vietnam. We need to ensure better access for TAFEs as they rebuild in terms of the expanding market and the desire internationally for vocational training support in other countries linked to industry development.

As I say, we have the Study Melbourne brand. Essentially the strategy has not changed much. It started with Brumby and went through Ted Baillieu and Denis Naphine, through the former government. While we will seek to improve upon that strategy, it is an area where there has been successful consistency of approach through a range of governments.

As I say, in terms of that international education, just to highlight the importance of it: it is estimated that it supports 32 000 jobs in Victoria and generates 4.7 billion in export earnings. Victoria had something like 170 000 students enrolled last year. That number is holding up very well. We saw growth in 2014 of something like 14.6 per cent in enrolments and 20 per cent growth in commencements from 2009 to 2012.

Part of our reputation is our multicultural society. It is also that we are home to many high-ranking universities, which is of course a drawcard, Melbourne University being the predominant, highest ranking university in Australia. We need to ensure that we continue to provide good-quality experiences for students, and on that score Melbourne has been assessed by ranking agency QS as among the world's best student cities — a great achievement. In fact we are second only to Paris now. It may take us a bit to overtake Paris — a pretty nice city — but that is the aim in the longer term. Hopefully that has outlined the budget and the priorities that underpin the budget.

The CHAIR — Thank you, Minister. I might kick off with the first question, if I can. In the context of the 2015–16 budget, with respect to the training and skills portfolio, can you advise how the government has acquitted its election commitments in Labor's financial statements?

Mr HERBERT — The government basically has acquitted all of its election commitments in this budget. In the lead-up to the election the government made funding commitments for nine different programs in the training and skills portfolios, and it has delivered on those. It has provided the remaining 300 million of the 320 million TAFE Rescue Fund, which, as I said earlier, is broken down into 200 million in output funding over four years for TAFEs' community service provision. That is for them to provide a range of educational services over and above straight training in terms of literacy and numeracy, in terms of support for people with disabilities, in terms of support for thin markets — small country towns, in many cases — and in terms of support for industries in transition, where you might need high-quality, high-expense training which underpins a whole industry's development and underpins other industries but simply is not economically efficient. So there are a range of community service benefits that we believe public TAFEs are — and should be — responsible for. We outlined that in the election, and this budget provides that commitment.

It also provides \$100 million to assist TAFE institutes to undertake projects in terms of new capital works or to reopen campuses, such as Swinburne Lilydale and Greensborough. Of that 100 million is 65.8 million in funding specifically for infrastructure projects that have been committed. They include — these were part of the election commitments — 10 million to reopen the Melbourne Polytechnic Greensborough campus and 10 million to reopen Swinburne University's Lilydale campus in the Yarra Valley, which has been, obviously, a highly contentious issue over past years.

That includes \$1 million for Melba Support Services, which is currently operating on the site. An EOI is expected to go out soon on that, and we are progressing quite well. There is 7.8 million to expand agricultural training at Bendigo Kangan Institute, Charleston Road campus. There is 25 million towards the 70 million redevelopment of Chisholm's Frankston campus. There is 8 million for a new student hub at Holmesglen Institute's Moorabbin campus. That is part of a \$100 million project, and it is a partnership with Healthscope in terms of the hospital being positioned there and training for that hospital. There is 5 million for an industry hub at Federation University, which is of course integral to Ballarat's skill needs. That will reutilise the Flecknoe Building, a building which is currently under-utilised, to make sure we can get business and industry in there to better link the university's operations with the needs of the industry there.

The projects will all receive funding in the budget pending the completion of the business case for them. There is 32 million, as I mentioned earlier, which was a key commitment in terms of funding over four years our local learning and employment networks, the LLENs, which support the efforts of young people who are disengaged or at risk of being disengaged from education and training. This was an issue when the commonwealth cut their funding last year and the former government had not committed. There was a lot of concern that these very valuable institutes that facilitate partnerships across education and the youth sector and that support education and add value in terms of public-private interaction would be discontinued. The then Labor opposition

committed the 32 million, which is based on the normal — average state contribution, pre the commonwealth issue, and then the previous government provided a guarantee of one year. We believe there was certainty — and that has been funded, the four years of that.

There is \$8 million for the Victorian skills commissioner. As I outlined, it is a very important position. There was previously in Victoria a skills commission, and it was discontinued, and that has created a vacuum. Whilst the previous government had some mechanisms of advice from industry, we believe they were inadequate, to be honest, so we had a commitment to bring in a skills commissioner, who would have a look at where the jobs are, where the future needs are and liaise with industry and the training sector.

There is \$2 million for the John Monash foundation. As well as that, in terms of election commitments, we have committed to 10 per cent of apprentices on all major government projects to give more work experience and so the government can play its part in the training system. We are also advocating to the commonwealth, as per our election commitment, for more streamlined student visa processing to support international education particularly for our TAFE institutes.

There is a car registration discount, as I went through earlier, and there are TAFE and university governance amendments, which we are consulting on right now. As well of course the other commitment was the VET funding review, which is designed to provide advice to government on a more sustainable system to improve quality and outcomes, and to link to industry in our training system.

Mr T. SMITH — Welcome, Minister. I refer to the higher education and skills budget, outlined on page 171 of budget paper 3, particularly footnote (f), which states:

The higher 2015–16 budget primarily reflects new funding approved for the TAFE Rescue Fund and indexation.

Can you explain how much of your total higher education and skills budget accounts for indexation?

Mr HERBERT — As I went through, in terms of the training area, we are committed to 1.2 billion in ongoing contestable funding. That is there in the forward estimates. That has not changed. As well as that, there is the 300 million in additional funding that is coming through in terms of the TAFE Rescue Fund. Are you referring to the total budget in terms of depreciation et cetera, Tim?

Mr T. SMITH — I am referring to indexation, Minister, of the total budget.

Mr HERBERT — I am just receiving advice here that indexation is in the shape of 36.3 million in the budget.

Mr T. SMITH — Given the Treasurer has forecast CPI at 2.75 per cent, which is in budget paper 2 on page 19, the training budget should have been funded by an extra 66.6 million to account for indexation, but the increase, according to you, is 36.3 million on the coalition's last budget. Is it not a fact that in real terms your funding has decreased?

Mr HERBERT — No, I reject that premise, because there is \$300 million of new initiatives in the training budget — —

Mr T. SMITH — That is not what I am asking, Minister.

The CHAIR — Order! Let the minister answer the question.

Mr HERBERT — The budget has not decreased. The budget has gone up, and that is clear.

Mr T. SMITH — No, it is not clear.

The CHAIR — Order!

Ms WARD — If you would let the minister answer the question, it might become clear to you.

Mr HERBERT — In terms of total output costs for the 2015–16 budget, it is approximately 2.5 billion, I am advised, which represents an increase of 153 million or 6.6 per cent from the 2014–15 budget.

Mr T. SMITH — Are you sure about that?

The CHAIR — Order!

Ms PENNICUIK — Thanks, Minister and people from the department, for attending today. I would like to talk about the TAFE Rescue Fund and begin by saying that it is good to see some money going back into TAFE. The question is: is it enough and is it the right timing? For example, the TAFE Rescue Fund is spread out over four years. If we look at the Auditor-General's report last year on the results of the 2013 audits, five TAFEs were identified as high risk — —

The CHAIR — Order! Sorry, Ms Pennicuik, could you possibly move your microphone a little bit closer to you? I ask all members to do so. I think Hansard is having trouble picking up our broadcast.

Ms PENNICUIK — I am struggling with my voice a bit today too. As I was saying, the TAFE Rescue Fund goes over four years and seems reasonably evenly attributed over those four years, but the Auditor-General last year recognised five TAFEs as being high risk and eight as medium risk. If you look at the growth deficits of seven — or half — of the TAFEs, they come to \$67 million, and that is just their operating deficits. The Auditor-General mentioned NMIT, for example, with a \$31 million deficit. It is trying to overcome that deficit by putting off yet more staff and raising the fees. My question really is about seeking an explanation as to why the TAFE Rescue Fund is not brought forward to assist those TAFEs. You have outlined \$100 million for certain TAFEs — none of it going to NMIT, but some to other TAFEs.

The question is: why is it spread out over that time rather than assisting the TAFEs when they need it now, and how is the rescue fund going to build up TAFEs, allow them to employ more staff and reinstate courses et cetera that have been lost? We know around 3000 TAFE staff have been lost across the sector since the introduction of market contestability in January 2009.

Mr HERBERT — Thank you, Ms Pennicuik. You have outlined the difficulties of the task ahead of us and the challenges very well. What I can say is that we have acquitted in full our election commitments in the way we put them in the training and skills area, and that is something I am very proud of. There is substantial funding going into the TAFE system right now. As I outlined, we brought forward 20 million so they could start the year off quickly. You will recall that I asked TAFEs to put a halt on more wholesale redundancies, which were planned and which I think were held over during the election period. I did not think that was satisfactory, and I think that happened on day two after being sworn in — day two or three; do not hold me to that. It was one of those days in that first week.

Of course the task is enormous — there is no doubt about that — but our commitment was 320 million: 50 million a year for community service obligations and funding, plus the 20 million and 100 million for capital. Can I just point out that the size of the cuts to TAFE funding in terms of government funding went from something like 733 million in 2011–12 to 468 million last year, so you are right — there has been a massive cut of 265 million and they have downsized. The task of rebuilding is important. Part of that is also rebuilding in areas the community need, in areas the local economies need and in areas our general industries need, so the community service funding of \$50 million will assist with that. The 20 million has certainly helped stabilise TAFE funding since the start of this year. As well as that we have found an extra 50 million for TAFEs through the Back to Work Fund this year, which is designed to help them assist with our Back to Work program of getting unemployed people into work and also in developing training to meet the needs of those growing industry areas in their local areas.

Will we solve it all in one year? No. Can we rebuild TAFEs to what they were in one year? No. Are we on a solid track to provide far better funding and footing for the core responsibilities of our public TAFEs? Absolutely. Is what will amount to 120 million this year for public TAFEs a substantial amount? Definitely it is. Will it make a difference? Yes, it will. Is the task enormous, with a \$52 million losses deficit across the sector? Yes, it is high, but I believe we are well on track. Can I just say that the Mackenzie review into the funding model, of course, will take all of this into account in terms of community service and what public TAFEs should be providing, and that will be reporting to me later in the year.

Ms PENNICUIK — I hear about the 100 million for capital and the 20 million immediate injection, but as I pointed out, there is close to a 70 million deficit across those seven TAFEs and the other TAFEs are not necessarily swimming in money either. At the same time you are saying you are putting that money in, but I

cannot really see how that is going to assist those TAFEs that are struggling, as it is less than one third of the amount that is needed to pull those TAFEs out of deficit. They have gone into deficit due to the contestability model as well as funding cuts from the previous government.

At the same time, Minister, the amount of government funding in Victoria going into the private sector rose from 137 million in 2008 to nearly 800 million last year. What is the government going to do to stem the flow of that public money into for-profit private providers? A report by the business school at the University of New South Wales says that most of that was going into three for-profit private providers, so a taxpayer subsidy is going to them at the same time as our TAFEs are struggling. What is the government going to do about pulling back that level of funding to the private providers? We know of the ongoing problems with quality that have been raised in the community and also, in some cases, the very dodgy marketing activities of some of those private providers.

Mr HERBERT — Thank you for that supplementary question. We are committed to a competitive training system to drive efficiencies. We are also committed to a strong public TAFE sector that provides additional support to communities and to various cohorts outside of a competitive training system, and we will maintain that as part of the national agreement. We are obviously constantly talking with the commonwealth. In terms of the TAFEs, we are monitoring them closely. I believe the funding we are providing in this budget will assist greatly with their underlying funding circumstances. Will it solve all the problems? No. Will it bring every TAFE back into operating surplus? It is a complex picture, that one — it is money, it is programs and it is intent.

In terms of your comments about the private sector, I believe there has been too much poor quality training, and there is an issue with funding training in a marketplace that provides training for areas where there simply are not jobs for that training. In the short term these issues will be sorted out through the quality review, and I am anticipating implementing, where I can, those recommendations to shore up quality and the standards of our certification, which guarantees that the certificates and qualifications people have genuinely reflect the skills they have.

Without pre-empting the quality review, there are issues in terms of how the department does it — the structure of the department — the contracts that are entered into, how those contracts are formed and how we can guarantee and audit quality against them. One of the issues there, of course, is that about 70 per cent of contracts in the private provider area are three-year contracts that expire at the end of 2016, so there are some contractual issues in terms of quality. But I am absolutely determined to get on top of quality. Low-quality providers undermine both quality TAFEs and quality private providers together, and I know that ACPET are certainly well behind the government's intention to crack down on poor-quality training.

I think we have made a massive step in terms of revitalising TAFEs and repositioning them to be a central crucible of public provision. With this funding I would hope their share of the market grows, but that it grows in a quality manner that genuinely assists communities and industries and they become the pinnacle of our training system.

Ms WARD — I refer to budget paper 3, page 186. I have noticed that there is a lower target for annual government-funded module enrolments. Can you explain to us how this target will boost training activity and job outcomes?

Mr HERBERT — Can I say that the new member for Eltham is probably a lot better than the previous member.

Members interjecting.

Mr HERBERT — I think I am getting support around the table on that one — just a little bit better.

It is an interesting thing, of course. We just need to have a look. The training system in general was not in good shape in 2014, and part of that was as a result of constantly changing subsidy cuts. I think we had major subsidy cuts three times within a two-year period and major restrictions in terms of eligibility for funding. I will acknowledge that some of that was to try to stop some of the rotting that was going on, but nevertheless it has had a major impact in terms of instability in the training market.

As a result, enrolments have declined across the state, especially in TAFEs. I will refer to the training market report that I released earlier this year. In 2014 there were something like 443 687 students enrolled in government training, which was down 8 per cent on 2013. Students were enrolled in 557 846 government-subsidised courses. That was down 14 per cent in the year. As well as that there was also major concern that a number of the qualifications were, quite frankly, not worth the paper they were written on, and there has been a proliferation in dodgy training, which, as I have outlined, we intend to cut down on.

The issue about targets is not just about numbers; it is about the quality of those numbers, the job outcomes of those numbers and the impact they have on our economic development, sustainability and growth of our industries, which in turn creates more jobs. Basically the targets are in line with the actuals of last year, and I would hope we can increase them, but I would rather make sure that we get quality training that meets the needs of people and our industries and businesses, not just numbers on paper.

In terms of TAFE institutes, as Ms Pennicuik alluded to before, enrolments have dropped 33 per cent. In terms of regional students, trainees, people with disabilities and disadvantaged learners, they also declined last year. Apprenticeship and traineeship numbers, for instance, have gone down 40 per cent since the 2012 previous VET reforms. There has been a 29 per cent decline in young people aged 15 to 19 undertaking government-funded training. The number of regional students in training fell by 19 per cent between 2012 and 14. Yesterday I was in Gippsland, where there was a 17 per cent decline in training outcomes since 2011. These numbers are bad news for our economy, and they are bad news for employers who rely on a skilled workforce.

As I said earlier, there is no quick fix to this one. This is a solid effort to restore our training system, including our public TAFEs, into a stable model that genuinely meets industry's needs and meets the needs of a changing economy. That is why, as well as the funding in this budget, we have committed to a quality assurance review. We are reviewing quality, and we are reviewing the funding system. But there is no quick fix, and, quite frankly, if we can stop the decline in training effort in a year, that would be quite an achievement, and the targets are based on that.

Mr D. O'BRIEN — I want to take you partly to your answer to our first question in relation to indexation and the total figure. You just told us that the increase on last year's budget was 153 million, or 6.6 per cent, and that is listed in table 2.5, but in fact the increase on the revised 14–15 figure is only \$52 million, which is less than indexation — the 2.75 per cent; \$66 million is what should have been there at indexation. But further to that, I note in footnote (f) as well it states:

A higher amount of the estimated carry forward from 2014–15 in comparison with the estimated carry forward from 2013 ... also contributes to the increase.

So you have been saying for the four years, falsely, that the coalition cut the training budget — —

The CHAIR — Order! The member knows full well that he is not to cast aspersions against other members. When you refer to the fact that the member was 'falsely', I think was the word you used, I would ask that the member rephrase.

Mr D. O'BRIEN — Okay. Minister, you spent the last four years saying that the coalition cut the training budget. Why are you now using funding from the coalition's budget to inflate this year's budget?

Mr HERBERT — Sorry, did you say I have spent the last four years saying they should cut the training budget?

Mr D. O'BRIEN — No, you said that we cut the training budget.

Mr HERBERT — That is right — to TAFEs.

Mr D. O'BRIEN — And you are now using carryover from our last budget to inflate this year's figures.

Mr HERBERT — Thank you, Mr O'Brien. There is a bit of confusion in your question. I have been critical —

Mr D. O'BRIEN — I am not confused about the question, Minister.

Mr HERBERT — I had been critical of the funding cuts to public TAFEs that occurred in 2012 whereby the extra subsidy levels for TAFEs and the total changes to the subsidy levels resulted in substantial funding cuts to them, and that has been outlined clearly in the massive cut of government funding to them, which I outlined in Ms Pennicuik's answer. In regard to your point — —

Mr D. O'BRIEN — That is wrong, Minister.

Mr HERBERT — In regard to your point, I understand BP 3, page 171, which you are referring to, shows that the increase in output costs is 6.6 per cent. That is a correct comparison. However, I understand — —

Mr D. O'BRIEN — That is compared to the budget — —

Ms WARD — Can you please let the minister speak, otherwise we will be here all morning.

The CHAIR — Order! Ms Ward! The minister to continue, without assistance.

Mr HERBERT — However, it needs to be understood that not the whole base, I understand, gets indexed. Output costs are not all of it — for instance, there is third-party revenue in TAFEs, which is included in the figures and expended by TAFEs but which is not indexed at all. I wonder if I might get one of the officials to just give you a bit more detail on that if you would like an absolute specific. Would you like to comment, please?

Mr MILES — Thank you, Minister. The correct comparison is budget to budget, so that shows the 6.6 per cent increase. As the minister said, the whole of the output cost is not what indexation is applied to; it is a subset. That subset is about \$1.5 billion; 2.5 per cent of \$1.5 billion is approximately \$36 million, so the minister's answer is quite accurate.

Mr D. O'BRIEN — Just a clarification. Should it not be 2.75 per cent? The indexation.

Mr MILES — Sorry?

Mr D. O'BRIEN — You said 2.5 per cent.

Mr MILES — Of \$1.5 billion is approximately \$36 million.

Mr D. O'BRIEN — Should it not be 2.75 per cent, according to the Treasurer's CPI forecast?

Mr MILES — I am not sure what you are referring to. I am happy to have a look at that.

Mr D. O'BRIEN — The CPI forecast by the Treasurer, budget paper 2, page 19, was 2.75. I am sorry, I am not trying to be difficult here. I am just — —

The CHAIR — Seeking clarification. Go ahead, Mr O'Brien.

Mr D. O'BRIEN — It was 2.75. You have said the 1.5 million indexation should be at 2.5 per cent. I am just clarifying whether we have got a miscommunication on that figure.

Mr MILES — Through the minister and the Chair, the figure of \$36 million is correct. The \$1.5 billion is an approximate figure. It is a little bit lower than that. I do not have the exact figure with me. It is \$1.4 billion. So the indexation rate, whether it be 2.5 or 2.75 — I do not have that in front of me — is applied to that lower figure, which explains why it is not the larger figure that you would have been anticipating. The main component of the output costs that is included in the \$2.4 billion figure is the third-party revenue of the TAFEs, so they receive that and then they expend that revenue on the services that they provide, but that revenue is not indexed by government.

Mr D. O'BRIEN — On a supplementary, and going back to the carry forward part of the question, Minister, what is the total amount that has been carried forward and how much of that is redirected from the coalition government's \$200 million TAFE Structural Adjustment Fund?

Mr HERBERT — As you know, the former government announced \$200 million through the TAFE Structural Adjustment Fund. Back with the change of government, that came at a time when TAFEs were

feeling the heat of major funding cuts. It was a major public initiative. The money was designed to improve financial sustainability of institutes, efficiencies et cetera. Of course we all recall it came in at a time of change of leadership of the party, and it was one of the issues that the former Premier sought to address in terms of the political fallout that was occurring with the TAFE funding cuts.

The former government, as you all know, refused to publicly detail all those committed funds, where they went to, but I am advised they went to cash support for some TAFEs for the cost of amalgamation — mergers, if you like, difficult mergers in many cases — business processing, IT, some online learnings and a small amount of campus upgrades. There are still funds committed by contractual arrangements which need to be paid out over the next year or so. Some of them have been expended by the TAFEs and they have to be acquitted back. The vast majority of those funds have been committed. I think there was about 9.5 million of uncommitted funds which were redirected to the \$320 million TAFE Rescue Fund, as outlined in *Labor's Financial Statement*.

Mr D. O'BRIEN — The other part of the question was: how much is redirected? That is a technical question, Minister, so I am happy if you could take that on notice.

Mr HERBERT — Nine point five million in uncommitted funds.

Mr D. O'BRIEN — But that is of the TAFE Structural Adjustment Fund.

Mr HERBERT — That is right. The rest of the funds were committed. They had not all been paid out, but they have been committed.

Mr D. O'BRIEN — I understand that, Minister. I am talking about the carry forward from 14–15 to 15–16, of which the TAFE structural adjustment fund would presumably be part.

Ms SHING — On a point of order, Chair, Mr O'Brien's initial supplementary called for the total amount that has been carried forward and redirected from the TAFE structural adjustment fund. Now it would appear that he is seeking to broaden the supplementary to talk about the total component, of which the TAFE structural adjustment fund forms a part.

Mr D. O'BRIEN — On the point of order, Chair, my question was very specific. What is the total amount that has been carried forward, and how much of that figure is redirected from the TAFE structural adjustment fund? The minister has answered the second part of the question.

Mr HERBERT — Yes. On the carry forward, we do not have that exact figure at this point; it is dependent on the end of the financial year. But in terms of the TAFE structural adjustment fund, as I say, there is funding carried forward but it is all committed. It is not part of the new money or the Victorian training guarantee \$1.2 billion, which, as you know, has not been indexed for some years now, in regard to your earlier question. But it is all committed to projects. I have to say that I am concerned about the value of some of those projects, in the light of the \$52 million loss across the TAFEs. I will be keeping a strong eye on how those commitments are being met.

Apart from the \$9.5 million in terms of the TSAF funding, which has been redirected, I am advised the rest has been committed. Is that correct? That is correct, yes.

Mr D. O'BRIEN — So you do not know — —

The CHAIR — Mr O'Brien!

Mr D. O'BRIEN — The minister said he does not know at this stage. If we could ask that he take on notice how much was carried forward. I am happy for the minister to take that on notice if he could.

Ms SHING — But you have had it confirmed that it is not part of the new money, and you are wrong on the indexation — —

Mr HERBERT — Yes, I will take that on notice.

Mr D. O'BRIEN — Thank you, Minister.

Dr CARLING-JENKINS — Welcome, Minister, and congratulations on your budget. It appears to be a great package for training and skills, and I share your enthusiasm for this area. I refer to budget paper 3, pages 47 and 49, and I would like to talk particularly about people with disabilities. There is a high level of under-education and unemployment for people with disabilities. I noted in one of your earlier comments that you are quite aware of the decline in training outcomes for people with disabilities. There are two great initiatives in this budget — the TAFE Rescue Fund and the back to work fund. How have you taken into account the needs of people with disabilities within these initiatives?

Mr HERBERT — Thank you very much. It is a good question. And thank you for your comments about my enthusiasm for making sure we have a very strong training sector with public TAFEs in this state. I will split it in two. The back to work fund is not specific to disability. What it is specific to is to help to link with our substantive back to work program — the Future Industries Fund and others — and payroll tax exemptions for the unemployed. Some of those people will have disabilities, and we have gone out to TAFEs asking them to come back with programs and projects which will assist those unemployed to get jobs, but also move towards a structural adjustment in terms of the way TAFEs provide training to meet future industries' needs. Those applications are in. They are currently being assessed by the department and we will make announcements shortly.

In regard to the \$200 million in funding as part of the TAFE Rescue Fund — \$50 million a year — we are currently finalising parameters for assessing TAFEs' needs. I want to make sure that that funding goes to the most needy in each TAFE. For each TAFE, depending on where they are, there will be different priorities. Around the Shepparton area, clearly youth unemployment is a major issue, and in the areas around Geelong you have industries in transition et cetera. But supporting people with disabilities is incredibly important and many of our TAFEs in the past have done that very well — and it is costly. It is costly in terms of the staff-student ratio and how long it takes to get a qualification through and get people work ready.

I would anticipate that a number of TAFEs will be factoring that into their use of their TAFE rescue funding community service obligations, but I cannot give you an exact figure at this point. Of course there are a range of other supports for people with disabilities. For concession card holders there are concessions worth something like \$45.8 million, I think, in terms of fee concessions. There are course subsidy loadings for people not necessarily with disabilities but from low socio-economic areas, Indigenous et cetera. In addition to that, we are funding \$32 million in terms of the LLENs, part of whose work is to make sure that some of the most disadvantaged and people with disabilities get linkages with training and linkages with job outcomes. I cannot give you a specific figure, but it is an area of concern. If you go out to Holmesglen TAFE, for instance, and have a look at some of the work they are doing, you will see that they have managed to be one of the more affluent TAFEs in the system, and have managed to keep some of their disability support programs. What they do is really inspiring in terms of giving opportunity to people with disabilities.

Dr CARLING-JENKINS — I thank you for your commitment and your awareness around the issues for people with disabilities. Can I just ask — and this is probably a bit of a hard question — that with the projects being assessed and with the rescue funding still being rolled out, will any favour be given to TAFEs that seek to actively accommodate people with disabilities, because, as you said, there is an extra cost to that. But will there be favour given?

Mr HERBERT — Normally when you judge these programs you have weightings. Certainly programs for people with disabilities or learning needs will be part of the weighting, but it is too early to tell exactly how much and how many TAFEs.

Ms SHING — Thanks, Minister, and thanks to your departmental representatives as well. It is nice that the opposition is back at the table. I was tempted to call for a quorum for a second there.

Minister, I would like to take you to budget paper 3, page 47, which shows \$200 million in funding allocated to the TAFE Rescue Fund. That is something which you have touched on today in your presentation and in the course of answering other members' questions. Could I ask you to outline to the committee how this funding will actually assist in terms of rebuilding the TAFE system, going to specific examples wherever you possibly can?

Mr HERBERT — Yes, thank you. That is a 200 million current component of the rescue fund. Thank you. As I say, we have a major commitment to repairing and restoring our public TAFEs in terms of being strong community hubs, centres, for the community and in terms of providing opportunities for people, no matter what their backgrounds — and abilities in many cases. That is a bit more expensive than a straight subsidy rate. Of the \$320 million, we brought forward 20 million in the first few days, and of course the budget provides the extra 300 million. That 20 million — this is a good example — helped secure the start for many TAFEs, and a better start than they would have had as they did not have to sack extra staff at the start of the school year.

The seven TAFE institutes that are struggling received that funding. It went towards some pretty good programs and sometimes the redeployment of staff that would have been otherwise made redundant. In fact only yesterday I launched the very first project from that funding down at Fed Training.

Mr D. O'BRIEN — Hear, hear.

Mr HERBERT — Very good. Russell Northe was there.

Mr D. O'BRIEN — A good local member.

Mr HERBERT — I might have said that — perhaps not quite that. Through you, Chair, Russell Northe was there, and I did indicate that he shares my passion for training and skills, as do most members of Parliament. We might have different viewpoints on how you get there, but most people are committed to education, training and skills.

In each of their campuses they have set up this interactive new student hub, and staff are there permanently. They are in areas where students would normally congregate — in libraries, computer areas and recreational areas. There are staff in there to provide services to students, including counselling, support for their studies, literacy and numeracy, career advice — a whole range of things. There was an absolute buzz. I have not seen it for a fair while in Fed Training. There was an absolute buzz there, and I think the spend was a good use of part of the 2.5 million we brought forward for them.

As I indicated earlier, there is that 100 million of capital, which is going towards rebuilding new TAFE campus facilities that meet needs, whether it be tearing down dilapidated old structures and building state-of-the-art facilities that meet the needs of industry and local community, whether it be in food and fibre new and expanding industries, such as in Kangan Bendigo, or whether it be reopening the campuses at Greensborough and Lilydale.

Ms WARD — Hear, hear.

Mr HERBERT — I know the member for Eltham has a strong interest in the Greensborough campus opening.

Ms WARD — Very happy with that. Thank you, Minister.

Mr HERBERT — They will make a difference to the physical infrastructure, and there is 34 million, of course, in capital funds still to be allocated out of that 100 million, which will be allocated according to greatest benefit. Of the 200 million provided in output funding over four years, as I say, we know TAFEs are the hub of community activity. They provide a wide, broad range of education and training, often that is specific to regional areas. This funding will help them meet their essential community service obligations in terms of literacy and numeracy, supporting people with disabilities, supporting thin markets and supporting industries or training that might be niche training but is essential to a whole range of other industries. There is a range of areas that that 50 million will go to: training that might not be purely economically viable under the current subsidy system but training which is essential in terms of supporting local communities, supporting local industries and supporting local people, and particularly supporting young people who are disengaged or at risk of disengagement from education or retrenched workers or long-term unemployed. I think that with this funding TAFEs will work closely with the LLENs and other providers to try to package up the benefits to the community as well as helping their own financial situation.

Mr D. O'BRIEN — Minister, following on from our previous question, we understand an element of the additional funding has come from carryover from last year. Some of the TSAF funding is there — 9.5 million, I

think you said. As I understand it, the TAFE Rescue Fund is predominantly capital, or it is capital. I had better put it another way: it is not for training subsidies as such. Can I ask: how much of the output in table 2.5 is in fact for new training money?

Mr HERBERT — In terms of the TAFE rescue funding, we are committed to 1.2 billion, which the former government was and which we are in terms of VTG contestable funding out there — in terms of funding for the training system. It is a substantial amount by any stretch. In terms of the additional funding in the budget — the 320 million, or 300 million in this budget, not counting the forward amount — 100 million is capital for TAFEs, which I just outlined following Ms Shing's question, and 200 million is over four years for additional recurrent funding for TAFEs to meet their community service obligations. The money is in addition to the VTG funding, and it unashamedly meets our election commitments to strengthen TAFEs by providing additional funding to them.

Mr D. O'BRIEN — For my supplementary, you have now confirmed twice that you have basically kept 1.2 billion — the same figure that the coalition had for training — so after years of saying that we had cut funding and you were going to fix it all, 1.2 billion in fact is — —

The CHAIR — Mr O'Brien, can you come to your question, please?

Mr D. O'BRIEN — Thank you. I will when I am not being interrupted. My question is: how many additional students will be trained under this budget?

Mr HERBERT — That is a very good question. I am happy to answer that.

Ms SHING — Sorry, Minister. On a point of order, can I just ask how the supplementary relates to the primary question in relation to the elements of funding being carried over from the TSAF funding, and now we are talking about — —

Mr D. O'BRIEN — Chair, I think the minister was very happy to answer the question.

Members interjecting.

Ms SHING — I am just wondering how the supplementary actually flows from the principal question that was asked in regard to carryover of TSAF funding.

Mr D. O'BRIEN — Ms Shing, I think you need to start writing my questions down a bit better.

The CHAIR — Through the Chair, Mr O'Brien.

Mr D. O'BRIEN — Sorry, Chair. On the point of order, Chair, Ms Shing needs to write my questions down better. The end of my question, the actual nub of my question, was how much of the funding is for new training. I am now asking, on the basis that we have established now that there is now no new money for training — —

The CHAIR — Order! Through the Chair.

Mr D. O'BRIEN — It is the same as under the coalition — 1.2 billion — how many additional students will be trained?

Ms WARD — It is not quite the same.

Mr D. O'BRIEN — And the minister is happy to answer. I think we should just let him go.

Ms SHING — Through the Chair, I just ask that the supplementary questions flow more directly and neatly from the primary questions.

Mr D. O'BRIEN — It could not be more direct, Ms Shing.

Members interjecting.

The CHAIR — Order! I am happy for the question to be asked.

Ms SHING — Assist me in my ignorance, Mr O'Brien.

The CHAIR — Order, Ms Shing!

Mr HERBERT — Firstly, my criticism has been reflective of the criticism of people right around Victoria in terms of the funding cut to public TAFEs that was implemented in the 2012 reforms implemented by the previous government. Those reforms essentially got rid of the caps in terms of minimum fees and maximum fees, and they changed the subsidy rates, dropping the subsidy for vast numbers of courses. In terms of changing the system, it went from paying what was estimated as the cost to provide quality training to another model of flexible and variable subsidy rates. They also scrapped the additional funding that TAFEs received on top of the subsidy rate for their community service obligations and their higher cost structures in regard to their infrastructure et cetera.

So my criticism is about the estimated 300 million a year dropped to TAFE budgets at the time out of both the subsidy changes and the scrapping, which the previous government had, of extra funding rates for TAFEs. That is where my criticism has been, and that has been a public criticism. It has been a major issue, and it was a major issue in terms of the election. I am absolutely unapologetic for highlighting the impact on our TAFEs, and it is clearly demonstrated by the \$52 million deficit — the highest we have seen — at the end of 2014. In regard to additional — —

Mr D. O'BRIEN — On a point of order, Chair, I am very happy, and we have all heard the government's and the then opposition's criticisms of the TAFE sector. We do not need to hear it again. My question was pretty straightforward: how many additional students will be trained, given that the minister has confirmed that the training budget is exactly the same as it was under the coalition? I ask you to bring him back to the question.

The CHAIR — Order! I think the minister is trying to set the scene for the current challenges he is experiencing in his portfolio. The question that Mr O'Brien asked was a very specific question, and I think the minister is trying to demonstrate the fact that there are a number of complicated issues in relation to this issue which would require some elaboration in order to try to answer the member's question. So I will allow the minister a little bit more leeway in terms of setting the scene but ask if the minister could look at trying to respond.

Mr HERBERT — Mr O'Brien, you did refer to my criticism in your question, and I wanted to deal with the first part of your question —

Mr D. O'BRIEN — I was prepared to give you a bit of leeway.

The CHAIR — Order! Mr O'Brien!

Mr HERBERT — before getting to the substantive point of it. The issue about extra training numbers: you will see in the output measures that we are aiming to stop the decline in training numbers across regions, across cohorts, across the sector. We are also hoping to stop the decline in our public TAFEs, which have dropped down to 25 per cent of market share and under the previous settings would be going backwards even more rapidly.

In regard to training numbers, what we have seen in the training sector as a result of the unstable funding model that we have is that every time there is a subsidy change many providers shift to a higher subsidy rate, so it is not just about pure numbers in that regard. That is about parts of the market moving towards the higher subsidy rates as opposed to where the need is. However, I did say earlier that we have a major increase of 6.6 per cent — 153 million, as I said earlier — but it is not just about numbers. If we can stop the decline, I will be very happy. I will be very satisfied because that would be quite a substantial achievement.

But it is also about quality. I cannot say it strongly enough that it is not just about numbers. What we have seen since we have come into office is much worse, I must say, than I thought in terms of outcomes, and the feedback I am getting from industry as I do round tables around the place is that they want to make sure that when people rock up with a certificate — no matter who they get it from, which training provider, public or private, or one or the other — the certificate genuinely reflects the skills. That will be a major focus issue in terms of making sure that we crack down on poor-quality provision and we provide greater strength to those people who get a certification.

Ms WARD — Minister, you have referred to Swinburne TAFE in Lilydale and Greensborough TAFE being reopened. I refer you to budget paper 3, page 49, which outlines the expenditure for TAFE through the TAFE Rescue Fund. Can you please detail more on these campuses that will be reopened under the fund?

Mr HERBERT — As you are well aware, under the policies that were in place there were numerous campuses across the state that either closed, some were sold off, some were leased off and some were just mothballed. For some of those, the simple fact is that they will probably not reopen. They cannot if they have been sold, for a start. We hope, with the extra funding we are giving and putting into the system and the funding for community service, that in some of those thinner markets there will be a capacity to reopen provision or, as we move forward, new campuses. But two of the bigger ones that closed down were Swinburne Lilydale — which the university once called the dual sector — who decided to close down their campus and sell it, and Greensborough TAFE, on the edge of a rapidly growing interface community running through to Mernda, which you are all very well aware of. We have a commitment to reopening those, and work is well under way on that.

In regard to Swinburne Lilydale, can I commend the vice-chancellor of Swinburne for the positive way she has approached the election commitment and the cooperation she is having with the government in regard to the reopening of that campus, a very big campus. Of course Swinburne will not be reopening it, so we are looking for other providers who will provide quality education there. Swinburne have had a re-evaluation, as they are required to under the rules. We have community consultation, which is occurring. There is an expression of interest which is due to go out to all TAFEs and dual sectors, which will go out shortly. Can I say the central point at Greensborough and Swinburne TAFE and the basis of any expressions of interest will be education provision. There is a minimum amount they need through Valuer General, but education provision is a central part of that expression of interest. That will go out soon, and then that will be partly evaluated.

Of course the government has made a substantial commitment of \$10 million towards the reopening of that campus, and I am hopeful that with the additional funding for TAFE, when we look at quality review — trying to clean up some of the quality — and when the new funding review comes out, that these are all positive measures for providers. I think we are well on track to reopen that campus in the first half of 2016.

In regard to Greensborough, it is currently exploring and looking at what course offerings could best suit that campus given that there is a whole growth area. There has been discussion with councils and others about other uses of the facilities which would complement training, whether it be a business incubator or other types of activities. That is well underway. Of course as Ms Pennicuik did allude to in a comment, Melbourne Polytechnic has been hit very hard in terms of their funding. We are working on two planes there: one, opening Greensborough; two — they had a substantial operating deficit this year — working through with the additional funding, and they are working through their provisions. I think the end result there will be very good offerings to a community that will serve a much broader area than just perhaps the Greensborough area.

Mr T. SMITH — Minister, I refer to your target for students enrolled in government-subsidised training on page 187 of budget paper 3. Less than two months ago you told the *Age* newspaper that 443 687 students enrolled in government-subsidised courses was 'a failure of our training system'. Why then are you not planning to enrol one extra student based on your estimated number of students on page 187 of budget paper 3?

Mr HERBERT — The number of students enrolled in government-subsidised courses, that particular measure. Is that the one you are referring to?

The CHAIR — Sorry, Mr Smith. For clarification, budget paper 3, page 183?

Mr T. SMITH — One eight seven.

Mr HERBERT — This 443 687 target, Mr Smith?

Mr T. SMITH — Correct.

Mr HERBERT — As I say, that is in fact a new measure which better reflects subsidised training activity in the Victorian training system. It is true that it is based on 2014.

Mr T. SMITH — It is the same.

Mr HERBERT — As I said earlier, Mr Smith, we are seeing a major slide, a major decline in our training system. My first aim is to stop that slide, but it is also in the context of vastly improving quality and weeding out really low-quality providers and meaningless qualifications which do not reflect the skills people have — to combine that. I think if we can do that in one year, that is a pretty good effort.

Mr T. SMITH — Minister, I do not understand how you can say on the one hand that number is a failure, but on the other hand that is the number you are estimating to keep enrolled this year. I do not understand that logic.

Mr HERBERT — It is the first time we have ever measured student enrolment. It is a transparent measure. I understand that previous PAECs wanted us to review the measures in terms of wanting departments to review the measures in our budget funding. Working with DTF and a review that we had in 2014 these new measures have come out as part of a more transparent approach to government funding and effort in terms of what the government dollars go into.

Ms SHING — Minister, I would like to take you to budget paper 3, page 19. Given that we have talked at length about the importance of quality in improving the TAFE system as it currently stands, could you outline the importance of international education to the Victorian community and also talk about the initiatives that are referred to in the budget in so far as how they will support international students to a higher standard than that which has been in place previously?

Mr HERBERT — Thank you very much. It is one of the six priority areas in the government's back to work commitment, the Future Industries Fund. It is a very important industry, a generator of income and export dollars for Victoria. It is also important in terms of the diversification of Melbourne — the mix of students. We want to make sure people come from right around the world in terms of mixing with our students. The relationships that are made through international education, when people go back to their home countries — often the benefits are seen as that generation moves into leadership positions and those personal connections are often the forerunner for much more prosperous economies and better working relations country to country. So it is more than just the \$4.7 billion and 32 000 jobs that the international education industry adds to the Victorian economy, as important as that is.

As I mentioned, we are a leader in Australia and the region in terms of attracting 170 000 students each year. Our market share is just under 30 per cent. Given our population size is about one-quarter, it is a significant achievement. That figure exceeds the target set in budget paper 3, so it is going well. We have some universities that focus on it. Our TAFE sector can improve; there is no doubt about that.

When we look at the international education sector there was strong growth in 2014. Overall there was a 14.6 per cent growth in enrolments and a 20.3 per cent growth in commencements. That is after a period of decline in 2009 to 2012. Part of it is to do with promotional activities, the quality of our universities in particular but also visa arrangements et cetera. In fact in terms of work rights Australia has some of the more generous work rights for international students anywhere, and that is a drawcard. Our high Australian dollar also had an impact in those years. So it is very favourable what is happening in terms of international education. The growth is good. We want to make sure that it is sustainable, that market share continues at roughly the levels they are, given that there is increasingly intense competition from the United States and other global competitors.

We have a few advantages in international education. We are the home of very high-quality universities in particular — educational institutions. We have two Victorian institutes that rank in the top 100 in the world. When you count the thousands and thousands and thousands of universities, for a country of our size that is a considerable achievement. Of course Melbourne University is right up there in world rankings.

We make sure we try to deliver really quality experiences for students. As I said earlier, it is no small thing to be ranked as among the world's best student cities, second only to Paris. That recognises that when students come here they have a good experience, and there is affordability, desirability and particularly employment activity.

We do have challenges. The government is absolutely committed to making sure international education continues at its high level. That is why it is one of the six future growth industries in our Back to Work Plan. We are advocating to the commonwealth action to improve access to student visas — the timeliness, costs and processing, which are pretty high by a range of standards, and why we are also investing \$4 million in new

funding to provide student welfare grants for international students. I think this is a really good investment that the international student community and governments abroad will welcome.

As I say, the \$200 million Future Industries Fund will help support jobs and help support the industry. Our \$12 million inbound trade mission assistance program will be very vital. We are intent on expanding markets and strengthening partnerships. As I said earlier, we have a large cohort of students from China, India and Vietnam. Those economies are changing rapidly. We need to make sure we have a wide spread of places where students come from and good, strong relations with them. I think only two weeks ago I led a large education delegation, with 29 senior academics and experts in water and urban planning, to Latin America. It was a whirlwind trip, but we met with very senior government representatives — vice-chancellors, or they call them rectors over there — in a number of countries and started that road to having very strong relationships in the future. Sometimes you have got to invest in a relationship and come back and invest in a personal relationship, and that delivers benefits for both sides down the track.

We are establishing new Victorian government business offices in Turkey, Singapore and South America, and they will further bolster our existing offshore networks. I know it is important because when we were in Peru and South America — the department has a person in Bogota who helps coordinate all of this. That provides feedback, constancy and direct contact, and it was very useful. These trade business offices are very important for that ongoing relationship. I think there is considerable opportunity to expand international education, particularly in regard to TAFEs. As we restore TAFEs and as they get stronger, countries around the world are looking for new training methods linked to productivity and looking into industry as opposed to some of the more old-fashioned methods of just being in a classroom for years. We have a great strength in that regard. I think we need to strengthen TAFEs' capacity to engage further in the international student market. That is an area we can certainly strengthen.

There is a strategy which, as I said, has been developed by successive governments. If it is working, do not touch it, or improve it but do not try to remake it. That strategy is going well, and we intend to continue with that strategy for both universities and TAFEs in terms of growing the market, diversifying the student mix and ensuring that this valuable industry continues to add to the Victorian economy and people.

The CHAIR — We have time for one more question.

Mr T. SMITH — Minister, as you may be aware, the federal government has a number of programs that impact upon Victoria's training and skills, such as the Colombo Plan, increased funding in Australia Week in China and an almost doubling of budget for international education support, such as 12 regional link projects, 15 additional activities to raise our international education profile, scholarships and exchange opportunities and subsidies for overseas-trained professionals. Which of these have Victoria and the commonwealth worked in partnership with for the benefit of the Victorian community? I note you made some mention of international education in your initial presentation here today.

Mr HERBERT — Thank you very much, Mr Smith. Of course it is always better when you can work together, particularly in international education, particularly in education. Last Friday there was a ministerial meeting chaired by Minister Birmingham, who is the training and skills minister. I asked him there directly for assurances there would not be cuts in terms of the training budget given the substantive cuts that occurred last year to a whole range of apprenticeship programs and youth training programs. I was pleased to see that did not occur.

In regard to the overarching issue of course, there is an issue of national partnership funding, which the commonwealth budget did not continue past 2017, I think it is. We also make the point that we want to work closely in terms of reviewing the existing national partnership funding and make sure any new agreement meets the goals of the Victorian government in terms of quality training, meeting industries' needs, a strong public TAFE sector, and they will be very crucial negotiations and a part of the review system now. And of course renewing those partnership agreements one hopes will be bipartisan, a national partnership.

In regard to international education, which I think you alluded to, we currently do work quite strongly with the commonwealth, as you have to. I have in fact written to a number of ministers on issues such as student visas, particularly in terms of our TAFEs, which I think are disadvantaged because we have a devolved system. In every other TAFE they are automatically eligible for fast-tracked visas because they are a system, but here

many of our TAFEs — we have got very strong TAFEs, very good TAFEs — are disadvantaged in that fast-tracking, and we are participating in that review of the visa system.

In terms of our strategy in international education we currently, as I say, work closely with the commonwealth to make sure our strategies align. I am happy for Mr Hill to just outline a bit more of that, if you want. Quite frankly, I welcome the \$18.2 million to fix the disgraceful VET FEE-HELP shambles that is in the budget. VET FEE-HELP, I raised it with Minister Birmingham quite some time ago. It has cost the Victorian budget. I think it is something like 7 per cent of VET FEE-HELP. We have seen costs absolutely skyrocket as slick marketeers and aggregators get in there and inappropriately sign up people to courses that are way overpriced — compared to what you can get in a local TAFE diploma courses — courses which people are not suitable for, do not get job outcomes and have very low completion rates. I am pleased that 18.2 million is in there.

I welcome those changes and that funding from the commonwealth government, although I do say that I believe the commonwealth government needs to have a look at the upper limit of fees for that. Ninety-six thousand is just a ridiculous amount when you think the average diploma will cost about four, four and a half thousand dollars. It is inflating the cost of diplomas because people are taking out loans, there is a lack of community services. So that is a very good initiative. I certainly welcome the commitment to the funding programs that better engage early school leavers and address youth unemployment. We will work through those with the commonwealth in regard to making sure they work well and are implemented well.

In regard to international education, as I say, it is a very important thing here. I should have mentioned before, Ms Shing, that of course we started the 50 per cent discount on annual public transport. It is being implemented this year, and I think there are 18 institutions that are part of that. It is half funded by the government and half funded by the institutions, and that has certainly been welcomed by them. Maybe Mr Hill would like to just reflect a little bit more on some of those other international funding measures or international cooperation we have with the commonwealth.

Mr HILL — I think in addition to what the minister has already outlined around the concerns the Victorian government has about streamlined visa processing and the negative impacts on Victorian TAFEs, the other key thing to be aware of is that the commonwealth has released a draft international education strategy for Australia. That is out for comment at the moment, and we would anticipate that the government will provide a submission in the next few weeks. It is, broadly, no surprises, although there are no new initiatives, and we will be raising a few issues with it.

The CHAIR — Mr Smith, on a supplementary.

Mr T. SMITH — I do not have a supp, Chair. I do have a point of order, though, which I think is important. I suspect those opposite will not agree with what I am about to say, but I think this is important for those on the committee and those in the audience — that is, I think Mr Hill ought to declare that he is the federal candidate for Bruce for the Australian Labor Party.

Members interjecting.

Mr T. SMITH — Chair, I think it is an important point. He is the federal candidate for Bruce, and it should be on the record.

Ms SHING — Further to the point of order, Chair, every single departmental representative who attends a PAEC hearing, or any committee hearing of a public or private nature, is there in relation to their role as a public servant. If we are going to start talking about what people do in their spare time, Mr Smith, we are going to be here for a very long time.

Mr T. SMITH — Ms Shing, with the greatest respect — —

Ms SHING — Mr Smith, please let me finish — —

Members interjecting.

The CHAIR — Order! Ms Shing has the call; she is making a point and should be heard in silence.

Ms SHING — Mr Smith, perhaps if you would spend less time reading the tweets from colleagues you have in the upper house, namely, Mrs Peulich, who has sought to pour petrol on a fire by drawing attention to something which is completely irrelevant to the considerations of this particular committee, and you would allow Mr Hill to do his job as a public servant, as every other public servant who appears before this committee is entitled to do, then we can conclude this hearing without unnecessary controversy which is of your own frivolous and capricious making.

Members interjecting.

The CHAIR — Order! Ms Ward! Mr Smith, I am not going to name a public servant who has already appeared before us to date, but a senior public servant has appeared before us who has previously worked in a very senior capacity in a ministerial office under the former government. No-one from the government sought to raise that as a point, nor should they. The public servant in question was here in a professional capacity, and whether they chose to work as a ministerial adviser for the former government or not is irrelevant, just in the same way that whether a public servant appears before us today and is a member of a political party or is an endorsed political candidate has got nothing to do with it. It has absolutely nothing to do with it. I think that really — —

Mr T. SMITH — With respect, Chair — —

The CHAIR — I am ruling on the point of order you raised. I think it is disrespectful to raise this and to cast aspersions against the motives or the character of a public servant.

Ms SHING — Further to the point of order, Chair — —

Mr T. SMITH — With respect, Chair, I did nothing of the sort. I simply thought it was appropriate — —

The CHAIR — Okay, and I am ruling that it has got nothing to do at all with these proceedings.

Ms WARD — You took the opportunity to take a cheap shot.

The CHAIR — Order! I have ruled on this matter.

Ms SHING — I have a further point of order, Chair. I would seek that Mr Smith apologise to the public servant involved in his commentary for raising a completely irrelevant matter that calls into question his capacity to discharge his obligations as a public servant.

Mr T. SMITH — No, I simply — —

Mr DIMOPOULOS — That is what you were trying to do, Tim.

Ms WARD — That is exactly what you were trying to do, Tim.

Mr T. SMITH — I simply thought that it ought to be on the record.

Ms WARD — You were not focusing on TAFE; you were focusing on a cheap shot.

Ms SHING — Can I ask for a ruling in relation to my point of order?

Mr DIMOPOULOS — Sorry, Chair, before you get to Ms Shing's ruling I just want to put on the record that it is not just the government and members of PAEC that have that view; it is Victorian law — the human rights charter. The Charter of Human Rights and Responsibilities specifically allows public servants to have a life outside of their public service, including being involved with their — —

Mr T. SMITH — I simply — —

Mr DIMOPOULOS — As someone who was a public servant, Mr Smith, and who ran for public office, it is entirely appropriate, and you trying to link that was completely — —

Ms WARD — You ran out of questions and focused on people.

Mr T. SMITH — For those in the audience — —

The CHAIR — Order! I have ruled on the previous matter. I would ask that going forward there be no further reflections made upon public servants in relation to whether they are or are not endorsed candidates, whether they are or are not members of a political party.

Mr DIMOPOULOS — In a \$60 billion budget, that is the best you could do, mate.

Ms SHING — Can I ask for a ruling in relation to my request that Mr Smith withdraw his assertion and apologise for calling into question the public servant's capacity to be — —

Mr T. SMITH — There was no assertion. I did not call anyone into question.

The CHAIR — It is unfortunate that Mr Smith chose to raise that matter. He did not make any explicit linkages between the person's position and their party. It was implied in what he said, but — I am conscious of time — I am asking that this not be raised in the future.

I would like to thank the witnesses for their attendance.

Ms SHING — I thought you were better than that, Mr Smith.

The CHAIR — Order, Ms Shing! The committee will follow up on any questions taken on notice in writing. A written response will be provided within 21 days of the request. Again I would like to thank all witnesses, and I would particularly like to thank Mr Hill for his very elaborate and detailed assessment of the international education portfolio.

Mr HERBERT — Thank you. Thank you very much for the questions. I hope that we are all judged by the way we behave in these sorts of public areas, and I hope that I have managed to answer the questions in a frank, forthright and detailed manner.

Witnesses withdrew.