

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2010–11

Melbourne — 13 May 2010

Members

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Witnesses

Ms B. Pike, Minister for Skills and Workforce Participation,

Mr H. Ronaldson, Secretary,

Mr P. Clarke, Executive Director, Skills Policy Development and Coordination,

Ms K. Peake, Deputy Secretary, and

Mr R. Cooper-Thomas, Chief Financial Officer, Skills Victoria, Department of Innovation, Industry and Regional Development.

The CHAIR — I now welcome the Honourable Bronwyn Pike, Minister for Skills and Workforce Participation; Mr Howard Ronaldson, secretary, Department of Innovation, Industry and Regional Development; Ms Kym Peake, deputy secretary, Skills Victoria; Mr Phil Clarke, executive director, skills policy development and coordination, Department of Innovation, Industry and Regional Development; Mr Ron Cooper-Thomas, chief financial officer, Skills Victoria.

I will be calling on the minister to give a brief presentation of no more than 5 minutes on the more complex financial performance information related to the budget estimates for the skills and workforce participation portfolio.

Ms PIKE — Thank you very much, Chair. We move onto the skills and workforce participation portfolio now. I want to provide for you a synopsis of the key budget initiatives for the 2010–11 budget in this portfolio. You can see that there continues to be strong investment in the skills areas for support for apprentices, in our skills stores and capital programs for TAFE and of course a major investment in the future economy action plan, which is jobs for the future economy.

To remind the committee, we have guaranteed access to subsidised training for students upgrading qualifications, young people under 20 accessing any level of training and retrenched workers. We have introduced a fairer fee structure, set in place FEE-HELP loans and rolled out Skills for Growth — the Workforce Development Program. I have basic documents here which articulate all of those.

Ten months into the \$316 million reform program — which of course Minister Allan would have spoken with you about last year — we are seeing some very positive impacts on training uptake.

I want to highlight some of these. There have been over 55 000 enrolments by new students who have no year 12 or equivalent qualification. Remember, 1.6 million Victorians have no qualification above year 12, and the whole reform agenda is really designed to enhance that participation and then of course to upskill people with existing skills.

Seventy-six per cent of government-funded enrolments came from people upgrading their qualifications, and we now have 179 new training providers contracted to deliver subsidised training. Out of all of those, 46 000 enrolments were through the Victorian training guarantee in the July 2009 to March 2010 period.

We also have been wanting to make sure that we continue to have a strong and robust training system, and we have been taking a lot of action on the quality assurance front.

We also, through the Skills for Growth program, are now seeing strong regional participation and over 2000 businesses signing up to be partners in the business skills enterprise, which is really the whole focus of Securing Jobs for Your Future. We know, as usual, there continue to be challenges for all Australian jurisdictions in making sure that we can deliver the skills and knowledge to fuel economic growth.

There are skills shortages nationally. We do know that there are persistent skill shortages in some Victorian sectors, particularly with apprenticeships. There was an impact on apprentices in the recent economic downturn, although that was not as severely felt in Victoria as it was nationally.

We also know how important our overseas study market is for Victoria's economic prosperity. We continue to work nationally on this issue. We continue to act decisively to mitigate risk in this area and reach our targets for domestic students in higher education. We are very strongly positioned to foster partnerships between schools, between VET and higher education and the ACE sector and continue to maximise opportunities in this area for our state.

We have released a \$14 million international education plan. I will not go into the elements of that, but it does include educational opportunities as well as support for student wellbeing. There is the International Student Care Service that was established and then the Welcome Desk as well for students.

I just want to briefly talk about the Victorian labour market because our employment growth continues to be strong — 3.8 per cent growth: the highest growth in employment in all states. We created 72 000 full-time jobs between March 2009 and March 2010: a growth rate of almost 4 per cent, outstripping New South Wales, which was 0.4 per cent; Queensland, minus 0.1 per cent; and Western Australia, 0.3 per cent. Given that we are

not a resource-rich economy, this is about the fundamental strength of the economic settings here in Victoria, which have been the precursor to this very strong employment growth.

We have weathered the financial crisis well, although as we grow — and let me say that the latest figures today show that our unemployment rate has gone down to 5.3 per cent from 5.4 per cent, now below the Australian average; they are figures we just released an hour ago. Strong growth means strong demand and further challenges in making sure you have skills there to meet that demand and to meet the labour supply.

Where skills cannot be met locally Global Skills for Victoria, our skilled migration strategy, is kicking in. Our share of skilled and business migrants, as you can see from that graph, has increased. That has been a very positive thing; that is the latest data from the Department of Immigration and Citizenship. A key achievement in this area that is continuing to work is, as I said, that we have the leading percentage of business migrants, and we have a number of industry workforce development strategies to underpin this initiative.

I want to also talk about the suite of programs through Victoria Works. The government is continuing to demonstrate its commitment to not only tackling skills shortages but also addressing socioeconomic disadvantage. These programs are for job seekers who face specific barriers. Since 2007–08 we have invested \$40 million in workforce participation initiatives. There are the new workforce partnerships with the programs for graduates with a disability, for mature-age workers, for young people and for indigenous youth. There is a whole range of very specialised programs in that area.

We are in the process of a once-in-a-generation reform to vocational education and training. I am very pleased that in the budget that the federal government delivered just this week there was additional funding for just the kinds of initiatives that Victoria has spearheaded through *Securing Jobs for Your Future*. There are guaranteed places in our higher education — both VET and university sectors. It is a market-driven approach, which more carefully matches the needs of business and the emerging and growing needs of business with the offerings in our skilled sector.

There is \$316 million over the four years in the *Securing Jobs for Your Future* reforms, the creation of 172 000 new training places to increase the number of people taking up training in areas and at levels where skills are needed. Let me remind you again: 1.6 million Victorians have no qualifications beyond year 12. There is a huge community out there that is ready for skill development. Then we are engaging more effectively with individuals and businesses, making sure we get good information and good connections. In our state, which is driven by the knowledge economy, we are creating a culture of lifelong skills development.

The CHAIR — Minister, thanks for that presentation. As I have asked indeed you before for your other portfolio but other ministers as well could you advise what plans and strategies is this forward commitment based on, and are there any changes since last year?

Ms PIKE — I do not need to remind the committee that we have been through a period of global financial crisis, and Victoria to date has emerged relatively unscathed, and now we do lead Australia on a whole range of key economic indicators. When you consider that 99 400 jobs were created — more jobs than in any other state — in the year to March 2010, it is testament to the strength of our economy. We have recorded the 4 per cent increase in employment, far exceeding the national average of 0.4 per cent. Of course all of that is not a fluke; it is based on work that has been done over the last few years and the jobs budget that the Treasurer so clearly and effectively delivered last week.

We also have a long-term strategy of sound financial management and investment in our workforce. We need to continue to invest in skills, because that is where the future productivity and prosperity of Victoria is based. We need to work smarter so that we can continue to drive that. That is about the investment in vocational education and in tertiary education so that we do have the right skill mix to be able to drive that productivity. I also say assisting the connections between the higher education sector and the primary and secondary education sector, where a lot of the seeds of this kind of development are grown.

When you talk about strategies and plans, Chair, obviously *Securing Jobs for Your Future* — that blueprint, if you like — the additional training places, the focus on early-level entry for those Victorians who have no qualifications, and progression through to higher levels of competency and training through the system are absolutely critical to achieving the strategic outcomes for our goals. We will continue to roll out. I guess if you talked about changes, in addition to this suite of initiatives this year has been the *Jobs for the Future Economy*. I

thought I had brought that, but I did not. I am happy to talk further about Jobs for the Future Economy work, because that is the action plan to create, support and sustain thousands of new jobs through investment in new projects and industries — those greener jobs that are going to require new skills, and skills is very much part of that overall package.

Mr DALLA-RIVA — Minister, I wish to reference the issue about your document *Securing Jobs for Your Future — Skills for Victoria*, which you outlined. I have just a couple of areas of clarification in the forward estimates. I am trying to locate it. We have just done a computer check to see where it is. It does not appear to be there, but it obviously has to be, because it is part of the forward planning and income for you. I note that the diploma and advanced diploma fees have increased from \$877 to \$1500 on 1 July 2009, and that they have risen to \$2000 on 1 January 2010. That is on the income side. What I am trying to find out is how much additional revenue is expected to be raised by the fee increases, and where in the forward estimates is this additional level you accounted for in the budget papers? Then on the expenditure side, because the package announced \$316 million expenditure, which is on page 33 of the report, to be spent over four years in various areas, how much of that \$316 million has been spent, how much will be spent into the forward estimates and how are these sums of money accounted for in the budget papers?

The CHAIR — There are a lot of questions there.

Mr DALLA-RIVA — It is about the income and expenditure basically on the skills package.

Ms PIKE — If you have a look at page 136 of budget paper 4, ‘Operating statement’, you will find a breakdown of the sale of goods and services, if you like, which is income derived from the TAFEs and then of course government expenditure. You have asked a series of very detailed questions there.

Mr DALLA-RIVA — So you are expecting in the forward estimates to receive \$545.4 million out of the TAFE fees?

Mr RONALDSON — Most of that — not all of it — is fees received by TAFE institutions for courses they run.

Mr DALLA-RIVA — Most of it?

Mr RONALDSON — The vast majority.

Mr DALLA-RIVA — Can you perhaps provide on notice how much?

Mr RONALDSON — We could.

Ms PIKE — Yes.

Mr RONALDSON — The department receives only small amounts of income.

Ms PIKE — Yes.

Mr DALLA-RIVA — I understand that.

Mr RONALDSON — Most of that is the fees.

Mr DALLA-RIVA — It is not broken down in detail, given that it is part of your forward plan.

Ms PIKE — Yes; absolutely.

Mr DALLA-RIVA — And on the expenditure side there is \$316 million. There is a breakdown:

Over the next four years the Victorian government has committed the following funding package.

Mr RONALDSON — Once again it is in the totals, but it would be subject to ministerial approval.

Ms PIKE — We are happy to break it down.

The CHAIR — Do you want a correlation of that?

Mr DALLA-RIVA — I do not know.

The CHAIR — It would be useful if that correlates with that. I think it does. It is exactly the same, is it not?

Mr DALLA-RIVA — Does it?

The CHAIR — Anyway, you can tell us.

Mr DALLA-RIVA — Who, me?

The CHAIR — No, I mean the minister on notice.

Mr DALLA-RIVA — I have got all my staff behind me, and the minister has got hers.

The CHAIR — No, that is fine.

Mr NOONAN — Minister, budget paper 3, page 128, one of the three dot points which outline the major outputs and deliverables are about building the capacity and competitiveness of the vocational educational training system. In that context I have been trying to understand what the government is doing to improve TAFE and ICT's connectivity?

Ms PIKE — Just as in the education area generally the higher education skills area is benefiting enormously from the additional resources that the government has provided into broadband. The government is providing \$20 million in addition to an investment into capital facilities, which of course always in themselves include IT upgrades, to provide students with increased access to online learning and assessment. This is a growing field. In higher education and TAFE generally, more students are participating in this manner. The other thing that this funding will do is help TAFEs become more efficient by using a common technology platform.

There are a number of TAFEs including Holmesglen, Box Hill, Chisholm and Kangan Batman where the initial physical connection is now complete. The remainder of TAFEs will be connected by 2010, so this funding really has improved connectivity for TAFEs, and it does help to position them to drive forward in the new environment. And we have gone a bit further as well; during 2009, a strategic procurement plan was submitted to the purchasing board in DIIRD, and we are also now providing the "sole source" procurement provisions. So with VicTrack now able to construct, own and operate the TAFE broadband network, great efficiencies have been achieved in the whole project.

Dr SYKES — My question relates to the TAFE student management system. I refer to budget paper 1, page 51. There is a line item in relation to the student management information system, near the bottom. I note that \$66.9 million has been allocated for the development of the new TAFE student management system, of which \$20.8 million is expected to be spent in this financial year, \$19.7 million in 2010-11 and \$26.359 million beyond that. What has the government got for the \$20 million spent so far, what does it expect to get for the next \$20 million, and why is it taking in excess of three years to put this important system in place?

Mr CLARKE — The situation is: we have contracted a firm, Technology One, to build the TAFE student management system. That work has commenced; the contract was signed in early January this year. At the moment, Technology One is focusing its efforts on the redevelopment of their higher education product to accommodate the particular characteristics of the TAFE system.

The fit of the higher education product was about 70 per cent of what was required, so there is that developmental work which is about 12 to 18 months of work that needs to be done. According to the schedule, the first pilot institutes are expected to roll out the new product towards the end of next year, going into 2012. The schedule shows that all of the participating TAFE institutes will be using the Technology One product by the end of 2012.

Mr SCOTT — My question regards TAFE capital works, and I refer the minister to page 12 of budget paper 3. As the member for Preston I cannot help but notice the funding for the NMIT Preston campus. Can the minister outline what funding for TAFE capital works is included in the state budget this year, and the benefits that are expected from that expenditure?

Ms PIKE — Thank you, and I acknowledge that the member is a very strong advocate for all sorts of developments in his area.

Obviously current investment in capital works in Victorian TAFE institutes is valued at around \$430 million, of which \$260 million has been provided by the Victorian government. In addition to the 14 building projects funded by the state in recent years, as we have just heard we have also provided the architecture for IT systems such as the student management system for TAFEs.

In this year's budget in particular there was additional funding of \$24 million over three years for NMIT Preston campus, for their teaching and learning centre. There was \$19 million over two years for the new international centre and additional teaching facilities at Holmesglen; on top of that, \$12 million for TAFE Institute specialist teaching equipment programs.

We do support TAFEs, who are able to derive income themselves and will often contribute to their own capital expenditure. Some of our TAFEs are very big institutes and organisations, but this year's budget does provide further support for our TAFEs.

The CHAIR — Thank you, Minister. There is very good work being done by the Holmesglen TAFE people, too.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the commitment made last year to the Kangan Batman TAFE Aviation Industry Training Centre. Last year it was funded as an asset initiative; \$3 million was to be spent in 2009–10. This year's budget paper shows that it has been delayed; there was no explanation in the return that the department sent to the committee about delays in asset projects. Seemingly, according to this year's budget paper, you have spent \$1.5 million in the current year, and will only spend \$385 000 in the next year with the rest delayed into the future.

Can you tell the committee what work has been done to date, and why is very little apparently going to be done in the new financial year? Why the overall delay?

Ms PIKE — The Aviation Training Victoria Academy is a really important initiative and that is why we have put aside \$3 million, as you say, for the feasibility study to determine the viability of the aviation training academy and obviously the location of that academy. We have expended, as you say, \$1.3 million on the feasibility study for the project and there has not been any cost overrun. At the moment we are in the position of having an evaluation of possible sites that has been done by an independent body. As you can imagine, the desire to have the training academy at one of our airport sites in Melbourne is very high. It is a highly competitive process. Once the formal site selection has been undertaken, then the remaining funds will be spent on planning and design, because of course this is the pilot, and we are waiting for the jumbo — that will be the funds to develop the aviation centre.

So the government is awaiting the outcome of the feasibility study. That has been a rigorous process obviously involving Tullamarine, Essendon and Avalon. They have all expressed very strong interest. We are currently evaluating those proposals across government. We will move to selection and then to the next stage of planning and development. The feasibility study is very strong and very sound, and the government will consider those outcomes. Modelling suggests that it could increase the number of aviation qualifications delivered in Victoria by around 47 000 and pilot trainees by an additional 14 000. So we have got very strong fundamentals identified in the feasibility study and once we determine where it is going to be, we will move to the next stage.

Mr RICH-PHILLIPS — On the question of location, all the references have been to Tullamarine.

Ms PIKE — Yes, they are.

Mr RICH-PHILLIPS — You are saying it is not necessarily Tullamarine?

Ms PIKE — The initial development of the project was configured around Tullamarine, but because it is an open process we have sought to evaluate other proposals, and there are other proposals. We think that is the right and fair thing to do, because there was representation from Avalon and from Essendon around this. That is why we have got a pretty robust, independent evaluation process. I note it still mentions Tullamarine in the papers.

The CHAIR — Yes, that is the question.

Ms PIKE — So that is really an indication of where the initial work started — a reference back to the initial allocation. But since then the project has moved on to be an evaluation of other sites as well.

Mr RICH-PHILLIPS — Given there are comparatively little funds allocated for the 2010–11 year, just \$385 000 with funds into the future, does that suggest the final decision and design work will not take place for some time?

Ms PIKE — We can talk about that, but I am actually preparing work within government for a decision much sooner than that. But Phil might want to comment on that.

Mr CLARKE — We will be in a position at the end of this financial year that design work will be able to start.

Mr RICH-PHILLIPS — The end of 2009–10 financial year or 2010–11?

Mr CLARKE — The end of 2009–10. Obviously it is contingent on further consideration by government as well.

Ms PIKE — This was always going to be evaluation, design, planning money. Once that work is done, my colleagues and I will evaluate all of that and make a determination about any potential future budget allocation.

Ms GRALEY — Minister, I would like to refer you to budget paper 3, page 12, and it is about Jobs for the Future Economy. I asked you a question in your previous portfolio about building sustainable or environmentally schools and of course this is going require a very skilled or new green-skilled workforce. I am wondering if you could talk about the Jobs for the Future Economy plan and what it is doing to improve green skills and workforce development.

Ms PIKE — Certainly. I was very pleased to be with the Premier and the Minister for Environment and Climate Change to launch *Jobs for the Future Economy — Victoria's Action Plan for Green Jobs*. It is a \$175 million package to create thousands of new jobs and it is true that as we move to, I guess, a greener environment — greener as in environmentally greener, not greener in any other way — there will be enormous opportunities. We want to make sure that our community is equipped to take up those opportunities, and that industry is creating those opportunities.

One of the centrepieces of the plan, for example, is \$50 million or \$60 million to upgrade government buildings, such as hospitals and schools and other government buildings. Obviously to have the skills to do that work you need extra training and you need extra support. When we launched the proposal we were on the Grocon construction site at the Carlton brewery redevelopment where they are installing cement that has 40 per cent less embedded carbon than existing cement. You need skills to do that; you need skills to build the special wind turbines and all of those sorts of things.

So as part of this, we are investing \$10 million specifically in the skills area to support the development and expansion of green training courses — that is plumbing, electricity, construction, all of those sorts of things — and also \$5 million to encourage 22 000 registered building practitioners to upgrade their skills.

We estimate that by 2011, 500 000 students within our TAFE sector will have the opportunity to learn new skills that are related to the future economy. As part of the plan we also have \$3 million to build on the government's previous investments in specialist centres and networks to establish training programs — projects in renewable energy, money to introduce five new green training courses, a pilot program in the Latrobe Valley and a green skills taskforce through our Victorian Skills Commission.

This is a climate of opportunities for Victoria. When you think about our investment broadly as a government — in things like wind power, solar power, in building and construction, moving to a 6 star energy rating for the domestic housing market, all of the innovation I spoke of earlier in school design and school construction, hospitals, all of these areas — there are huge opportunities, and we want to get right in on the ground floor to make sure that we have got people in our community who are equipped to take up these fantastic opportunities.

The CHAIR — There are also ceramic fuel cells, too.

Ms PIKE — Yes, ceramic fuel cells, where we are a world first.

The CHAIR — Correct. Ms Pennicuik?

Ms PENNICUIK — Minister, I want to talk about the changes to the TAFE system for diploma courses. You would be aware of the coverage in the press lately with regard to submissions to the Ernst and Young review and there has been a lot of press coverage about declining enrolments. For example, it was reported last week that David Williams from the VTA said that there is ‘a reasonably substantial decline’ with the reasons including higher annual fees.

I have had a lot of representations to my office about this from TAFE students or potential TAFE students; in fact, the most recent was at 10.30 this morning. There are quite a few problems with the reforms from our point of view, but one of them is the removal of concession fees for concession cardholders. I would like to know how much the government is going to save by the removal of those concession fees or, the reverse of that, how much would it cost to reinstate them?

Ms PIKE — The concession?

Ms PENNICUIK — Yes. For diploma courses.

Ms PIKE — Diploma courses?

The CHAIR — Specifically for diploma courses.

Ms PIKE — The first part of your question goes to the issue of enrolments. It is clear that overall there are some very positive signs that are there, as we are only 10 months into what has been, and is, a major reform process in TAFEs. There is evidence of growth in training places. For example, a number of major metropolitan providers have already achieved 70 per cent of their previous year’s intake in only the first three months of this year. Swinburne and RMIT are in that category — —

Ms PENNICUIK — Yes, but others are saying it is falling.

Ms PIKE — I think you asked more generally about enrolments. I think it is important that I put on the public record that there may have been some assertions about enrolments in specific places, but overall we are pleased that there has been an increase in enrolments, and there has been an increase in those very people this program is targeting — that is, the 1.6 million Victorians who have no qualifications at all; 55 000 have already entered the system. In the certificate level courses, all of the access to concessions et cetera are all fully available. So there are concessional places in all the certificate courses; there has been growth in all of those areas.

There have also been increases in the number of people upgrading their qualifications. There is evidence that there is an increase in some areas — in the diploma and higher diploma area — but we also know that in some areas there has been a decrease. We are obviously in a period of adjustment and every situation, every circumstance, tells its own story.

To ensure that no students are disadvantaged, students who commenced their training before 1 July 2009 did not have their fees adjusted. They were ‘grandparented’, if you like. The other thing is that fees for diplomas and advanced diplomas are higher, recognising the higher cost in delivering those courses, and also recognising that in many cases they articulate into a degree qualification where a student — if they had enrolled in that degree qualification at a tertiary institution — would be in the HECS system.

So we have negotiated an agreement with the commonwealth to extend university-type loans, even though the cost of the fees for TAFE are much lower than for university. That is a first in Australia. These loans are repaid only when a student's income reaches the threshold of \$43 100 a year.

The reality is that students who are undertaking diploma and advanced diploma courses are on a trajectory of greater job opportunities and higher wages, and they will begin to repay the loans if their salary is over \$43 100 a year. This is about guaranteeing access to training places — 172 000 more training places than were ever available before. It is a transformation of the TAFE system.

I am very encouraged by the number of people who would never before have accessed TAFE who are coming into the system, because that is the primary goal: to upskill people and to provide opportunities for people who are in that 1.6 million group.

Ms PENNICUIK — My question was not answered. You might be saying what you are saying, Minister, but we are certainly getting a lot of other information that enrolments are falling and that people are not taking up courses because of the increased fees. My question was: how much is the government saving on that removal of the concessions for diploma courses? If you cannot give me the information, can you give it to me on notice?

Ms PIKE — We are not saving money. The government has invested over \$300 million in this process by opening up — —

Ms PENNICUIK — How much would it cost to reinstate it so you are not disadvantaging people who cannot access diploma courses?

Ms PIKE — There are 172 000 additional people who will have access to the system that did not have access before.

Ms PENNICUIK — But not concession holders.

The CHAIR — One at a time; the question is clear.

Ms PIKE — There are no savings. It is a net increase in government contribution to the overall TAFE system.

Ms PENNICUIK — Then why not reinstate it so as not to disadvantage those students?

Ms PIKE — There is also a \$10 million — —

Ms PENNICUIK — That is what the TAFE system is for.

The CHAIR — Minister, have you concluded your answer?

Ms PIKE — Yes, I have.

The CHAIR — Thank you for that. If you are providing concessions for certificate ones — —

Ms PIKE — We certainly are.

The CHAIR — Then could you give us the information, because it does not seem to be included in chapter 5 of budget paper 4 in terms of tax expenditures and concessions?

Ms PIKE — We will have a look at how we resolve that.

The CHAIR — That concludes the consideration of the budget estimates for the portfolios of education, and skills and workforce participation. I thank the minister and departmental officers for their attendance today. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days.

Witnesses withdrew.