

# CORRECTED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2011–12

Melbourne — 17 May 2011

#### Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

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

Mr J. Rosewarne, Acting Secretary,

Ms K. Peake, Deputy Secretary, Skills Victoria,

Mr J. Miles, Acting Executive Director, Office for Resources and Infrastructure, and

Mr P. Clarke, Executive Director, Tertiary Education Policy, Governance and Planning, Department of Education and Early Childhood Development.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearings on the 2011–12 budget estimates for the portfolios of higher education and skills, and the responsibility for the teaching profession. On behalf of the committee I welcome the Honourable Peter Hall, MLC, Minister for Higher Education and Skills and Minister responsible for the Teaching Profession; Mr Jeff Rosewarne, Acting Secretary of the Department of Education and Early Childhood Development; Ms Kym Peake, deputy secretary, Skills Victoria; Jim Miles, acting executive director, office of resources and infrastructure, Department of Education and Early Childhood Development; and Mr Philip Clarke, executive director, tertiary education and policy governance and planning, Department of Education and Early Childhood Development; as well as Mr Luke Hatton, manager, key stakeholders support, communications division, who will be operating the presentation only. Members of Parliament, departmental officers, members of the public and the media are also welcome.

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

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

All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days of this hearing. Unverified transcripts and PowerPoint presentations will be placed on the committee's website immediately following receipt, to be replaced by verified transcripts within 48 hours after the hearing.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly.

I ask everyone to turn their mobile phones off or at least to silent.

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

**Mr HALL** — Thank you, Chair. Good morning to you and your fellow members of the committee. Thank you for the opportunity to present here this morning.

Before I start I want to mention as Minister for Higher Education and Skills that machinery-of-government changes at the last election brought higher education and skills into the broader Department of Education and Early Childhood Development, so now there are three ministers in that department: myself; Minister Dixon, who you have heard from before; and Minister Lovell, who you are scheduled to hear from tomorrow, as I understand.

I have dual responsibility for higher education and skills and I am responsible for the teaching profession, which you indicated in your introduction. I understand that the first hour of this hearing is specifically higher education and skills, which the presentation is framed to.

With the machinery-of-government change, it is essentially higher education and skills, particularly our funding in the skills area, and regulation of the higher education sector, which is a responsibility brought into the broader Department of Education and Early Childhood Development, but also adult education through ACFE — adult,

community and further education. They are the machinery-of-government changes which the committee needs to be cognisant of when they interpret some of the data in the budget papers.

### **Overheads shown.**

**Mr HALL** — I want to start the presentation with a slide that reflects what higher education and skills is about, what our market is and what we are seeking — what are the objectives of the services that we deliver through higher education and skills. There have been various reports, not the least of which is Bradley at a federal level and Kwong Lee Dow from the previous government when he developed a tertiary education plan for the state of Victoria, that have given an indication of what our training needs were in terms of skills in the workforce in years to come. This first slide gives you a little bit of a snapshot of where we were in 2001, where we are in 2010 and where we hope to be in 2017.

The table there presents on the left-hand side those with no formal post-school qualifications and on the right-hand side those with the highest qualifications. What we would want to see over a period of years is that top end anchored in position and the bottom end of that stretched across so that we have an increase in the skill level and training and qualifications of those in our workforce. That gives you a snapshot and background to what programs are structured through this area of my department.

Higher education and skills: this gives a summary of some of the information that is contained in the budget papers. There is an overview of the outputs summary. The budget for skills 2010–11 compared with 2011–12 shows a 1.8 per cent increase, and in the ACFE sector a significant increase, the reasons for which I am happy to talk about by way of questions or elaboration, and there is a further breakdown. The units of measurement for each of those are in millions of dollars. You can see that there are increases in government-funded training; TAFE fee-for-service activity due to TAFEs generating more revenue; Skills Victoria operations — there is a slight downward trend in that for reflecting efficiencies that we seek to gain from the department; and other capital programs and increases and other expenditure includes capital asset charged depreciation and a number of other smaller programs operated by the department.

I want to mention that the skills budget itself — at a 1.8 per cent growth figure — does not include some other very important programs involved with training that are funded through other departmental areas, and particularly the Regional Growth Fund, where there is a significant investment in developing partnerships for the delivery of training and higher education in regional parts of Victoria. It also does not include some significant funding for the college of the arts, provided through, again, another government department. So even though they are training initiatives funded through other government departments, they are not reflected as part of the specific skills budget in the budget paper.

I have highlighted on the next slide some of the output initiatives in this budget, particularly the reintroduction of concessional fee places and the increased exemptions. Again I expect members may be interested in that and explore it in more detail with some questions.

The final component there is the forward estimates, current and the next four years, for bonus payments for completion of training.

The next slide is just a summary of capital and again a quick comparison between last year's budget and this year's budget in capital expenditure in the area of skills. Again I might add that these particular measurements are state-funded contributions towards capital developments. Many of the TAFE institutes are the beneficiaries of some commonwealth funding; many of them from their own generated resources contribute towards capital facility development. I want to make it perfectly clear that this slide shows the state government contribution towards capital works at our TAFE institutes.

With respect to the next slide, I would hope that somewhere throughout the hearing we will reflect on some of those performance measures across skills and ACFE. Again they are just some of the performance measures extrapolated from page 183 of budget paper 3 and the next couple of pages. If you look through those performance measures, I think without exception, in every category except pre-accredited training in ACFE there are some significant increases in terms of our targets for 2011–12 compared with the outcomes in 2010–11. That is reflective of both increased government funding and more importantly demand for training across both of those areas of my portfolio. I will not dwell on that; we might come back to it, if members are interested, by way of questions.

I mentioned this before. This particular initiative is not part of the budget papers for skills itself because it is funded out of the Regional Growth Fund. It is the delivery of an election commitment to establish the Regional Partnerships Facilitation Fund. The purpose of that fund was to encourage greater delivery of post-secondary programs and better articulation between vocational and higher education programs in regional areas of Victoria. That is important because there are significant differences in the participation rates in higher education in non-metropolitan areas compared with metropolitan areas. Again I am happy to speak about that in a bit more detail. It is an exciting initiative that I am looking forward to managing in conjunction with my colleague the Deputy Premier.

So as not to abuse my time limits I am keeping this presentation short. Finally, I just wanted to mention that in the area of higher education and skills there is a need for state and federal governments to work very closely together, given that there is a significant contribution from the commonwealth government in the areas of higher education and skills, particularly higher education where the vast majority of funding comes directly from the commonwealth for commonwealth-supported positions in higher education, but because of articulation we need to work closely with them to make sure the best value for dollar, whether that be state or federal, is obtained in terms of improving higher education outcomes.

In the VET sector, again while the state is a predominant funder of training, there are some significant contributions from the federal government. The last federal budget that came down a week or so ago had a commitment of 1.75 million for new partnership funding. There has always been an ongoing national partnership agreement between the states for the delivery of training. There are some changed circumstances to that previous arrangement, and we need to sit down with the commonwealth, and indicated a willingness to do so, to work through what changes are proposed by the commonwealth and how we can complement each other's efforts to maximise delivery and training opportunities in Victoria.

That is a snapshot of the budget information as it applies to higher education and skills, and I would be happy to take members' questions.

**The CHAIR** — Thank you, Minister, for your presentation. We have approximately 47 minutes allocated for questions on the higher education and skills portfolio, and I will lead off with a very unpredictable question. Minister, in your broad area of responsibility for part of the education sector, clearly one of the major drivers is population growth and changes to demographic profiles. Could you advise the committee how predictions concerning population growth have shaped the budget for the 2011–12 and out years in the discharge of the higher education and skills portfolio responsibilities?

**Mr HALL** — Thank you for that question, Chair. I think if members reflect back on those performance measures — I briefly put some of them up in the presentation I gave — and look in more detail at budget paper 3, page 183, they will see that each of those 2011–12 target outputs insofar as delivery is concerned, apart from pre-accredited and ACFE as I said, shows increase. That is in part due to population increase; that is what we expect will occur. That is accommodated for in both our 2011 and 2012 targets and also in the increased funding that is applied within that sector.

I also want to mention that there have been significant increases in growth by way of the number of students who participate. If we want a breakdown of regions, from years 2008 to 2010, for example, in some of the regions — I will not list all of them, but some — in the southern metropolitan region there has been a 36 per cent increase in the last two years of students who have participated in VET programs. In northern metro there has been a 35.5 per cent; in Barwon-south western, 26.4 per cent; and in every region across Victoria, apart from Hume, there has been a significant increase in the number of students participating. Then if you look at the module enrolments by region, all regions have significant increases.

The main funding mechanism by which training is funded in Victoria is — and I give credit to the previous government, which put this in place — a demand-driven funding system which is not capped. The Victorian training guarantee gives an as-of-right position for somebody who wishes to undertake training subject to certain eligibility criteria. In that way anybody who meets those eligibility criteria and seeks a training position in Victoria is guaranteed it. As I said, that is a system that I have inherited. As population grows and demand for training increases, that is accommodated with that uncapped, demand-driven funding system.

Of course population growth also puts pressure for new capital facilities to ensure that there are the facilities to deliver. This budget cites three capital works projects, one of which is funded in its entirety, much of it coming from the state government, and another two projects where there is funding to commence or some detailed planning work. Again, I am happy to talk in detail about those projects if the committee wishes me to do so in due course. They are at Berwick in the eastern growth corridor area; Gordon in Geelong, where there is a significant need, and also in Sale, Gippsland, again where there is significant need.

Also in terms of population growth and demand for training: training is a very technical subject these days. There is a need for a lot of specialist equipment involved in that, and this project provides for \$9.5 million for specialist equipment for TAFE colleges.

Population growth is accommodated, in summary, by an uncapped, demand-driven system which guarantees people, subject to certain eligibility criteria, a place in a government-supported training position across the state. Reflective of what we anticipate of that growth there is growth in terms of the budgetary allocation and the target output measures across all areas of this portfolio.

**Mr PAKULA** — Minister, I refer to page 105, budget paper 3. As has been widely reported, of the now \$2.1 billion or \$2.2 billion in savings across government, once you add the measures to offset the GST reduction, \$481.1 million is to come from your department. Could you provide the committee with a breakdown of how those savings are going to be spread across your department and portfolio responsibilities, and do you maintain that there will not be any cuts to front-line services as a result of those cuts?

**Mr HALL** — In terms of those savings, you are right that we were required as part of an election commitment to achieve certain levels of savings, and upon coming to government there was a need to make further savings efforts because of the financial position which we inherited. I am not going to go back and recast all of those arguments to justify them.

**Mr PAKULA** — We have heard them a few times.

**Mr HALL** — I am sure you have, indeed. Education, like every other faculty, was required to make its fair share of savings, and that has been done and budgeted for. The way in which that has been achieved is across the three areas of this particular portfolio: higher education and skills, schools and early childhood. Each of my other colleagues will answer questions in regard to particular savings measures required in their area. I am happy to detail some of those in the areas of higher education and skills.

Let me take just one of those areas, because I have not come to the committee to hide information; I have come here to be frank and forthright in terms of the tough decisions that needed to be taken. There are a few programs, those that did not have ongoing funding budgeted for them — that is, lapsing programs — that will lapse. One of those I want to make mention of, which is certainly of some significance, is that of apprenticeship field officers. As a result of a lapsing program, there will ultimately be a reduction of 10 apprenticeship field officers across the state. They come from a program area where, as I said, there was a lapsing program.

This comes from a history whereby we currently have in the state of Victoria 33 apprenticeship field officers supplemented by a further 27 apprenticeship support officers. I might add the 27 apprenticeship support officers are positions which commenced in January of this year. They are new positions, whereas the apprenticeship field officers have been in place for a long time. But more recently the 10 to which I refer, who will be subject to lapsing funding, were from 2006 onwards. These were limited, contracted positions, and quite clearly the funding was due to lapse on 30 June; there was no ongoing provision in any previous budget for them to continue. So it was that, in terms of the total budget and looking at the requirement to make some savings, there was the tough decision taken that this was one of those measures which we could not afford to continue. As I said, it was a lapsed funding measure. That will occur.

I think it is important, though, to put on the record that there will be no loss of services to apprentices across Victoria, given that there are still 23 apprenticeship field officers and that there are now 27 apprenticeship support officers. The apprenticeship support officers are particularly focused on first-year apprentices where the dropout rate is greatest, and that is where their focus of attention will be.

What I can do is say in terms of services provided to apprentices across Victoria, with the 23 remaining field officers and the 27 apprenticeship support officers, the needs of and services to those apprentices will be maintained.

**Mr PAKULA** — Just briefly, Minister, I think you said there were a number of areas; is the apprenticeship field officers the only area, or are there others that you have not mentioned yet?

**Mr HALL** — There are a couple of other areas, and some of those are areas for which we had commonwealth agreements. These have now been subsumed by the training guarantee, which became fully implemented on 1 January this year. From 1 January this year, as I said in my opening remarks, subject to eligibility criteria, people are guaranteed a funded place in training. For example, the Skills to Transition program was one which was specifically put in place for two years to meet anticipated training needs because of the global financial crisis. Because, again, of that training guarantee and because of the increased exemptions we have, those who were affected by that will be accommodated.

There were a couple of others, such as the COAG agreement reached at a meeting in July 2009 regarding a compact with retrenched workers, which guaranteed any training place for 15 to 19-year olds and an upskilling place to workers 24 years and older. That is exactly what we have now in the Victorian training guarantee, so that particular program has now been subsumed by the training guarantee.

In relation to the youth compact we have similar circumstances whereby it was a guarantee to youth that they would be provided with training. That again has been taken up by the extension of the Victorian training guarantee, which has been fully implemented since 1 January.

**Mr MORRIS** — Minister, I refer you to budget paper 3, page 18. Towards the bottom of the page, under the heading, 'Skilling up Victoria's young people', an amount of 102.5 million over 4 years has been allocated. Can you indicate for the benefit of the committee how that funding will contribute to better training and employment outcomes for young Victorians?

**Mr HALL** — This is one of the areas that I am most pleased to report on. It follows on from election commitments made by the Liberal-Nationals coalition prior to the election that we would seek to adjust and make a fairer system of training, particularly in terms of a personal contribution towards training.

I inherited a demand-driven system for training in Victoria, and fundamentally I support that system. I think there are areas in it that are harsh on certain individuals, and I sought, and had policy agreed to before the election, to look at some of those areas I thought were of greatest severity. One of the changes that I thought needed to be addressed was the fact that there were no longer to be any concessions for people studying at diploma and advanced diploma levels. While acknowledging that there is VET fee help for those people, debt aversion is still a problem for many who do not come from affluent backgrounds. Under the system the fee for a diploma or an advanced diploma increased from \$877 to \$2000 in 2011, rising to \$2500 in 2012. The cost of that, up-front, is prohibitive to many people. The accumulation of a VET fee help debt is again prohibitive for many who do not wish to accumulate debt.

We in opposition committed \$56 million over 4 years to provide for concession places for those who are most in need. That commitment was actually increased to \$62.5 million because, when we had the opportunity to do so, I argued hard and had the agreement of my colleagues to bring forward that commitment so that we could fund it from the start of the year. From 1 February we have committed \$62.5 million over 4 years to this particular program to introduce concession payments at diploma and advanced diploma level, meaning that instead of \$2000 this year, those people who qualify will pay \$100 instead of the \$2000, and next year they will pay \$100 instead of \$2500. Initially this is being brought in on a basis which is restricted to 15 to 24-year olds at TAFE only. The reason for that is that we want to track it to see how this concession policy works, and as part of a review of fees and charges which has also now just commenced, we will gauge the impact of the implementation of this policy. I might add that in relation to the take-up rate there are, to the end of March, just over 4200 people who have taken up that offer for a concessional diploma place, which is terrific.

The other component of the \$102.5 million is \$40 million over 4 years to provide for a greater number of exemptions. The member might know that to receive government support for a training position one has to upskill. If you wish to train for a qualification you currently hold at an equivalent level or at a lower level, then you are faced with the prospect of paying in total for that course. There are many deserving —

**The CHAIR** — Minister, could you just pause for a moment? There is an audio problem.

Sorry, Minister, please resume.

**Mr HALL** — I was talking about the exemptions. The other part of that 102.5 was \$40 million in exemptions for people who have a need to pick up a qualification at an equivalent or lower level.

Particularly for employment purposes we have doubled the number of exemptions that are available. Previously there was \$5 million to be spread across the entire training sector; now there will be \$10 million for the next 4 years to do that. That will provide opportunities, particularly for those who have an employment need to retrain, to be eligible for those exemptions, and they will be allocated across all providers — not just public providers but across all providers.

Again, Mr Morris, this particular issue will be the subject of a review of fees and charges that has just commenced, because I am keen to have a simple system without a whole range of exemptions and criteria which complicate eligibility. If that can be achieved with the review of fees and charges within the budget parameters available to me, I will be pleased. But these two initiatives have gone down extremely well right across the sector, and I am pleased that we have been able to make that commitment to help many people take up training opportunities which otherwise they may not have had the opportunity to do.

**Mr SCOTT** — Minister, I take you to your presentation. If you look at the output summary for skills on the budgets from 2010–11 to 2011–12, you are indicating a variation or an increase of 1.8 per cent, and yet when I look to the performance measures in the same presentation for annual funded module enrolments and for contact hours of training and further education provided in the skills area, for targets we are looking at an increase of 42 per cent and 41 per cent by the quick calculations that I just did. Could you please explain how you are intending to increase the targets by over 40 per cent with a funding increase of less than 2 per cent and whether therefore there will be any reduction in the funding per student?

**Mr HALL** — There will be no reduction in terms of the rate paid per student contact hour. The funding mechanism is a student contact hour rate paid at different levels, whether it is a TAFE institute or a private provider or whether it is a community provider. They are scheduled student contact hour rates which I have inherited from the previous government, and we have maintained those student contact hours rates of payment.

The point I want to make about those is that the review of fees and charges will also look at the rates in which those student contact hours are applied, because there are a number in the community sector who have validly argued to me that their rate per student contact hour is less than TAFE and they see no valid reason for it being so. It is the same with some private providers; they have suggested that those rates which were set by the previous government are not equitable and fair.

The main reason there is such a variation, Mr Scott, in some of the increases in the outputs compared to the funding is, I understand, that this combines now ACFE-delivered training — that is, the training component delivered by the Adult Community and Further Education sector — and that machinery of government change has affected the outputs.

**Mr SCOTT** — Just as a follow-up: they are presented separately here in your presentation, so you are saying that the skills presentation includes the ACFE presentation, even though the budgets are separate in the later bit of your presentation and they are presented separately. So you are saying the skills presentation here actually includes the ACFE numbers in it; is that correct?

**Mr HALL** — If you could just go to the table again on the presentation you are using.

**Mr SCOTT** — Just from your own presentation; there are two tables.

**The CHAIR** — Would you like some clarification on the question?

**Mr HALL** — I am seeking it. I know one of my officers, Mr Phil Clarke, is able to explain that if the member would require an explanation of that.

**Mr CLARKE** — When the total funding package was put together it was a total amount for all vocational education and training, but for purposes of budget papers and so on some of that was directed as a notional

figure to the ACFE sector and some of it went to the VET sector. If you look at that same table, you will see there is quite a significant jump in the ACFE funding which reflected the mix and the balance that was set up at that time. In fact, again, you have to look at the total picture, which also goes to the contribution from students and the contribution from the commonwealth through VET fee help, to get the total picture of funding which then flows on to the growth figures. The performance data there is in fact based on the same model that was approved by the previous government.

**Mr ANGUS** — Minister, I refer you to budget paper 3, page 109, in relation to the asset initiatives for TAFE institutes. I was wondering if you could outline to the committee how the level of funding allocated to the development of TAFE institutes will contribute to a more skilled work force.

**Mr HALL** — Thank you for the question, first of all, Mr Angus. I know you are very interested in a number of TAFE institutes that you have serving your electorate, and I have had the opportunity to visit many of Victoria's 18 TAFE institutes, four of which are dual sector. I have never ceased to be impressed with the infrastructure that is employed by those TAFE institutes to bring about training. There is a need for continual update of those facilities to enable the best and most up-to-date methods and skills to be applied. I think it is important that there be that capital commitment out of this year's budget to meet some of those needs. Through Skills Victoria we have an order in which we assess needs throughout, and I am delighted that in this year's budget we were able to make a contribution towards the three that were assessed as most worthy of a capital asset project.

The first one of those has been to the Chisholm Institute of TAFE at its Berwick campus, and what is being committed by the government in this budget is \$22 million for a new trade careers centre with Chisholm Institute. Chisholm Institute are contributing \$4 million of their own money, so it will be a \$26 million facility out there serving the growth area around Berwick and that south-east corridor area. I was out there last week, and again, it will complement the existing facilities they have already that provide for pre-apprenticeship, VCAL and other particular programs in that area.

The second of those capital projects which are mentioned in this year's budget concerns the Gordon Institute in Geelong. I have had a look at their site in Geelong and their campus on Boundary Road, and they are proposing to develop a centre for biotechnology, sustainability and living well. They have some excellent trade facilities on that site, but really for some of those other areas in biotechnology et cetera the facilities they currently operate are far from efficient. And so it is that there is \$2 million in terms of detailed planning money applied for that particular project in this year's budget.

The third one is some seed funding to start again the planning work for the East Gippsland Institute of TAFE proposed port of Sale campus.

As the Chair would well acknowledge, there is a dire need to upgrade the facilities that they currently operate out at Fulham, and so I am pleased to be able to announce some detailed planning funding for this particular project as well. It is my sincere wish that we will argue strong and hard for some further capital commitments in next year's budget to see these two projects and others come to fruition.

**Ms HENNESSY** — Minister, I would like to take you to budget paper 3, page 108, which states that the output supporting apprenticeship completions will be phased out and that only apprentices who start their apprenticeships before 30 June 2011 will be eligible. I suppose I am a little intrigued, given your answer to the Chair's question regarding the needs of our growing population and the jobs required to grow our economy and obviously the effect of local skills shortages. I am interested to know how you justify the decision, which might limit the career possibilities of approximately 14 000 apprentices each year, and whether or not you have gone through the process of estimating the cost to the state of wasted training dollars on non-finishing apprentices.

**Mr HALL** — Thank you for the question. In relation to the apprenticeship completion bonus it is important to understand the question of where it came from and when it started. It started in 2003. In 2003 a decision was taken by the then government to withdraw payroll tax exemptions for apprenticeships and to put in place an apprenticeship completion bonus. That is the origin of it. First of all it was funded for four years — between 2003–04 to 2006–07, so initially a four-year funding period. Since that time it has been a year-by-year proposition — a budget-by-budget proposition — and so the respective minister each year has had to go in and argue for a continuation of that funding.



There was no provision in this budget for this apprenticeship completion bonus to continue, so it very much fitted into the category of a lapsing program. So it was that we looked at this as a lapsing program and said, 'Can we afford to continue?'. What we thought was essential was to give certainty to those currently involved in the program — give certainty to them — because with year-to-year funding there is no certainty that those already doing their apprenticeship would be able to participate in the next year given that it was a lapsing program in its entirety. What we have done with the \$55 million initiative here is to give certainty to all those apprentice who are registered prior to 30 June this year. They will be guaranteed participation in the scheme for the rest of their apprenticeship, but not new apprentices beyond that. I might add that the apprenticeship completion bonus is a bonus that is paid to the employer and not to the apprentice.

There are some reviews that have been undertaken over the last couple of years that ask: is this the most appropriate way to give incentives to put on apprentices? Is it the most appropriate way or not? The commonwealth have asked themselves that very question in their review of apprenticeships. That is a question which we continue to ask too. With the federal government's review of apprenticeships now, we are also currently looking at how we can complement that in Victoria and get consistency with what the feds are seeking to achieve. In regard to both of those reviews being undertaken by the federal government and by Skills Victoria internally, we will look to see whether there is a need, whether there is an opportunity and what the impact will be of the phasing out of this particular bonus.

I just want to make those points clear in terms of this. In this particular program area we have provided certainty for those apprentices who are in the scheme prior to 30 June, and beyond that we will look at what the federal and our own internal reviews uncover in terms of what we need to do and what measures we need to take to promote the take-up of apprenticeships in Victoria.

**Ms HENNESSY** — Minister, just to clarify it, in terms of the wasted training dollars on non-finishing apprentices I was interested in the cost of that, and in respect of the targets, have you factored a reduction in the government targets resulting from the \$22 million cut to this program?

**Mr HALL** — Thank you for that supplementary question. When you say 'cut', it is not a cut in that we have guaranteed that this will take place. It is a phasing out of this particular program. In Victoria we achieve something in the order of a 65 to 68 per cent completion rate for apprenticeships. While that might differ in some of the publications for figures presented by the National Council for Vocational Education Research, that variation is in regard to the different way in which they regard completion, one example being that in Victoria if we have an apprentice who starts with one employer, terminates that and continues their apprenticeship with another, it is counted by the national body — the NCVET — as a non-completion, yet we would count it as a continuing apprenticeship and ultimately a completion, so there are some differences.

In Victoria we would like to improve on the around 65 to 68 per cent completion rate, but we do pretty well compared with other states. That being said, we are always seeking ways in which we can improve on the completion rate — we are always looking to do that — and part of that review of apprenticeships, federally and from within our department, will explore ways in which we can improve those completion rate figures.

**Mr O'BRIEN** — Minister, you have spoken publicly about the allocation of funds for student accommodation in regional areas, and I recall one recent occasion with Deakin in Warnambool, and I am wondering: where in the budget is this money to be drawn from and how will it be used?

**Mr HALL** — Thank you, Mr O'Brien. It is a good question because it is an important area and, as you would know, one of personal interest for both of us representing rural electorates and looking to increase participation rates in higher education in rural areas. Again, this is an example of where direct funding for some assistance that we have been able to provide to some regional campuses of universities comes from other than the skills budget. It is important that we work across government departments, and in this case working with my colleague the Deputy Premier I sought funding from the Regional Growth Fund to assist with applications from universities for student accommodation in regional areas.

What we have been able to do is to make some commitments to support applications from both Ballarat University and Deakin University in their efforts to apply for funding under the commonwealth's National Rental Affordability Scheme. We have made a commitment to assist Ballarat University with \$5 million as a state commitment towards that project. There is also a figure of \$10.275 million for Deakin University to assist

with their application. Both those funding commitments are subject to an agreed commitment from the federal government. For example, at Deakin that commitment from the state government would lever federal funding that would enable the building of 300 additional accommodation beds at Waurn Ponds in Geelong, doubling the number of beds that they have on campus there, and a further 100 in Warrnambool. Similar sorts of figures would apply in Ballarat.

This is an example of this government being prepared to work across government departments to coordinate their efforts to make sure that our dollars are spent to maximise educational opportunities for students who live in regional areas of Victoria. I am delighted to work with my colleague the Deputy Premier in achieving these sorts of projects.

**Mr PAKULA** — Minister, I just return back to your presentation under the heading, ‘Higher education and skills’. Under the breakdown there, there is an increase in TAFE fee for service from \$597 million to \$614 million over the course of this year’s budget. In terms of the recipients of that public funding, Holmesglen TAFE is a major recipient. Minister, can you confirm that \$10 million was loaned to Carrick Education Group without the consent of the minister or the department, as part of a dubious acquisition agreement? Can you tell us whether you have sought legal advice on the legality of that, particularly in regard to sovereign risk to the state? If so, what was the advice and what action have you taken about it?

**Mr HALL** — In respect of this, the \$10 million loan figure is not accurate. I want to be a little bit careful in what I say because there are some commercial issues associated with all of this.

**Mr PAKULA** — Yes.

**Mr HALL** — I will say as much as I am able to in respect of this matter. It was a situation whereby a loan figure of \$6.5 million was made by Holmesglen to a private provider of education in Victoria. This matter first came to my attention in December last year after a decision was initiated by board meetings just prior to the election. When it was first brought to the attention of me and my department certainly some inquiries were made as to why and for what purpose this was undertaken. It prompted a series of contacts between Skills Victoria and the TAFE institute involved in this and some ongoing involvement to protect — perhaps it would be better for me to say ‘to be concerned for’ — the interests of Victoria as a whole and accountability for taxpayers money.

From a departmental point of view and from a ministry point of view we were keen to ensure that this particular money, \$6.5 million, which I might add the institute had in their reserves; it was not from loans or direct funding that had come from the department, and about which there were some issues, was accounted for. It is precisely the reason why the tabling of the annual report of this institute was late into the Parliament, because the Auditor-General once alluded to it and showed an interest in this, and we share that interest. So it is that we have taken the necessary steps to ensure that any public funds involved in this possible transaction have been protected.

**Mr PAKULA** — I am just interested in why you describe it as a possible transaction rather than a transaction and in the issue of the state receiving legal advice. Has that occurred?

**Mr HALL** — When I say ‘possible transaction’, the options available to the institute at the time of their loan were to either to make it as a loan and receive a repayment for that loan in due course or convert it to equity or make a further expenditure of money for a greater share of equity. There were many possibilities for the transactions, of which the \$6.5 million loan was the first component of a possible further transaction. It was definitely a loan; the options that that presented to them were somewhat varied.

**Mr O’BRIEN** — On a point of order, before the minister is drawn on the question of whether the state has received legal advice, I query whether that is a matter for the budget estimates and whether it is appropriate, whether or not any advice has been received, to speculate on legal advice on these sorts of matters — there could be issues of privilege or commercial confidentiality — unless it is absolutely —

**Mr PAKULA** — You don’t reckon the minister can figure that out for himself?

**Mr O’BRIEN** — He may be able to, but it may be inappropriate to have even asked the question.

**Mr PAKULA** — I don't actually have to worry about what you think.

**The CHAIR** — Mr Pakula, let Mr O'Brien finish his point of order.

**Mr O'BRIEN** — Mr Pakula, I did not raise the point of order with you; I raised it with the Chair for the consideration of this committee. I have no idea what the minister's answers will be. I am just raising it as a matter that I consider to be probably outside the purview of this important committee and potentially having other consequences that no government and no shadow Attorney-General should be urging a government to speculate on.

**Mr PAKULA** — Is that right?

**The CHAIR** — Thank you, Mr O'Brien.

**Mr PAKULA** — I might take your advice to shadow cabinet.

**The CHAIR** — I think the minister has almost concluded his answer.

**Mr PAKULA** — And more than capable, I would have thought, Chair.

**The CHAIR** — I think the minister has almost concluded his answer. I will just note Mr O'Brien's point of order, but I do not think I need to rule on it as this moment.

**Mr HALL** — I just want to say that because of the concerns I had personally in regard to this, on 21 March of this year I issued a ministerial order putting on a prohibition, unless my consent was approved, for TAFE institutes acquiring or purchasing private providers. I thought that to be a prudent measure and one which did protect the taxpayers of Victoria's interests in respect of this and any other such transactions.

**Mr PAKULA** — So the buck stops with you from now on.

**The CHAIR** — Thank you very much for your interjection.

**Ms HENNESSY** — It is lonely at the top, Minister!

**Mr ANGUS** — Minister, I refer you to budget paper 3, page 183, and the output table shown there, in particular the annual government-funded module enrolments target figures, which have increased in 2010–2011 from a target of 2.6 million to in 2011–2012 a target of 3.7 million. Can you please explain to the committee this increase?

**Mr HALL** — Thank you, Mr Angus. It sort of goes in part to the question I answered from the Chair at the outset, and that is growth in demand. Why there has been that growth is part of the way in which the training system is now funded — that is, there is an opportunity for people to undertake, subject to those eligibility criteria, training in this state of Victoria, and there has been some significant growth in that in part because of that. We have seen — I think I quoted some figures before in terms of growth — a 35 per cent increase in growth in some regions, and that is to be welcomed.

I think the opportunity, as demonstrated by the concessions policy — which I spoke about before — has facilitated more training opportunities than otherwise would have been provided for. Some of those people simply would not have been able to afford to undertake that training without that sort of assistance to do so.

I think it is also relevant to say that in terms of the system which the previous government put in place there has been a significant increase in the VET activity undertaken by private registered training organisations, and that has been helpful across the state, where we have seen significant growth in that. Where before we had a contracted system of purchasing training places, now with an open, competitive system that has enabled more innovation, more enterprise, and we have seen a larger number of private RTOs enter the market to facilitate employment opportunities. So it is that, for example, for somebody living in a part of Victoria where there was not a local provider nearby, the increase in the number of providers per se has meant that there are more opportunities for people to undertake training locally.

I might also add that part of the growth factor, as I have said before too, has been the number of community education providers who have increased their accredited training delivery. Again, because you have more community-placed providers scattered around Victoria, having a local provider in your own town or suburb has meant greater opportunities for people, and that has assisted with the growth figures as per this output target there.

**Mr SCOTT** — Minister, I refer you to budget paper 5, page 84, which shows sale of goods and services for the department are predicted to have increased by, I think, about 325 million for 2011–2012 compared to the 2010–11 financial year, and I ask: what is the reason for this steep rise?

**Mr HALL** — Again, for the sake of accuracy, Chair, I would not mind if Mr Rosewarne, the acting secretary of the department, could respond.

**The CHAIR** — Mr Rosewarne?

**Mr ROSEWARNE** — That line there in the budget papers is the third-party funding activities of our schools and our TAFE institutes, and so it is simply the commercial operations and fundraising operations — in the case of schools, fundraising; in the context of TAFEs, it is basically the commercial operations of TAFEs. It is an estimate that we have put into the budget papers, and it reflects the activity that is currently going on and is forecast to go on in our institutes for the next 12 months.

**Mr SCOTT** — Can I just follow up? It is good to have clarified what it is, but what is the cause of the significant increase? It is a big jump.

**Mr ROSEWARNE** — Machinery-of-government change, bringing skills back into the organisation; there is a half-year impact, which is now reflected in those budget papers.

**Mr MORRIS** — Minister, could I move to page 185 of budget paper 3, just after halfway down the page. In terms of outputs, the annual vocational education and training, VET, enrolments, the target there jumps from 170 00 in 2010–11 to 200 000 in 2011–12. Can you indicate to the committee why there has been such a substantial lift in the target over that short period?

**Mr HALL** — Thanks, Mr Morris, for that question. One of the things that I am most proud of and keen to work with is our adult education sector, because I think that their contribution has been undervalued somewhat, and I am pleased that they have been brought into the broader education and early childhood department as a partner in the delivery of educational programs to adults across Victoria. As I said, I think they have been underestimated in the past in their significance.

What we are seeing now is significant growth in the opportunities for adult education providers to deliver accredited vocational programs right across Victoria. Whether it be in suburbs or regional areas, we have seen significant growth in activity provided by adult education providers, provided by the opportunity to participate in this uncapped demand-driven training system. Whereas in the past there was a purchase arrangement for the provision of training, now a provider that has the appropriate accreditation through the Victorian Registration and Qualifications Authority and the personnel and sees an opportunity to deliver that to a market within their local community has the opportunity to do so.

I am really pleased that a good number of our adult education providers have now seized this opportunity. They have seen a need and been able to provide accredited training. They do it well, whether it be through the local ACE organisations — adult and community education organisations — or community colleges, which are now scattered right across Victoria, or in some cases through neighbourhood houses. There are a number of neighbourhood houses that are accredited providers of training. The adult and community sector, I am pleased, is now operating in a very significant way in the training market in Victoria — as shown by their increase in the training effort by these budget papers.

**The CHAIR** — Thank you, Minister. I am afraid that time is on the wing, and that brings to a conclusion this hearing session on the higher education and skills portfolio. I thank Ms Peake and Mr Clarke for their attendance.

**Witnesses withdrew.**