

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2013–14

Melbourne — 21 May 2013

Members

Mr N. Angus

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr C. Ondarchie

Mr M. Pakula

Mr R. Scott

Chair: Mr D. Morris

Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

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

Mr R. Bolt, Secretary,

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

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

Ms M. Lourey, Executive Director, Tafe Transition Taskforce, Department of Education and Early Childhood Development.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2013–14 budget estimates for the portfolios of higher education and skills, and responsibility for the teaching profession. On behalf of the committee, I welcome the Honourable Peter Hall, MLC, minister for these portfolios, and from the Department of Education and Early Childhood Development: Mr Richard Bolt, Secretary; Ms Kym Peake, Deputy Secretary, Higher Education and Skills Group; Mr Jim Miles, Deputy Secretary, Infrastructure and Finance Services Group; and Ms Marianne Lourey, Executive Director, TAFE Transition Task Force. 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 gallery that they cannot participate in any way in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing to provide information to the minister, by leave of myself as chair. Written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the media are requested to observe the guidelines for filming or recording proceedings in the Legislative Council Committee Room. Cameras must remain focused only on the persons speaking. Panning of the public gallery, committee members and witnesses is strictly prohibited. Filming and recording must cease at the completion of this hearing, and that includes any breaks or a change of personnel for portfolios.

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

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

Following a presentation by the minister, committee members will ask questions relating to this inquiry. Generally the procedure followed will be that relating to questions in the Legislative Assembly. Sessional orders provide a time limit for answers to questions without notice of 4 minutes, while standing orders do not permit supplementary questions. It is my intention to exercise discretion in both matters; however, I do request that witnesses answer each question as succinctly as is reasonable, recognising that many responses may include a degree of complexity.

I ask that all mobile telephones be turned off or turned to silent. I now call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the estimates for the higher education and skills portfolio. I understand on that point, Minister, that hard copies of the presentation may be available a bit later but they are not available to the committee at the moment.

Mr HALL — Mr Chair, I did have prepared an extensive overhead presentation. The 5-minute limitation would mean that I would rush through that and not give it due consideration. Therefore I want to make my comments more succinct in my opening presentation.

The CHAIR — Thank you.

Mr HALL — I will use one slide in the presentation, which I will certainly distribute a hard copy of as soon as we get to that point.

The CHAIR — Thank you.

Mr HALL — Thank you, Mr Chair, for the opportunity to present to the Public Accounts and Estimates Committee again for presentation of my portfolio responsibilities covering those of higher education and skills. Higher education and skills does, as its name suggest, cover the area of higher education and vocational training. It also covers adult education as well. What I want to do this morning is concentrate my opening remarks on the vocational training sector.

I think it is worthwhile for the committee, in terms of setting a context and understanding of the budgetary considerations for this portfolio, if I give a very brief background of vocational training in Victoria going back to 1 July 2009 when Victoria introduced an uncapped, demand-driven training system in Victoria. A gradual implementation of that system evolved until the start of 2011 saw the full implementation of that. That coincided with the time that I took over responsibility for vocational training, and it was when I took over the job that contracts were signed to deliver government-subsidised training with around about 600 providers, and 2011 saw the full implementation of the uncapped, demand-driven system.

It was fair to say that already there were some concerns being shown about the trends in this uncapped, demand-driven system. That is why this government, in 2011, commissioned the Essential Services Commission to report on the system and provide advice to government. We saw, as an outcome of 2011, a rapid expansion in training. There was some significant misdirection in the training effort, and by that I mean where job outcomes did not match training effort; fitness instructors were the classic example. We also saw the number of providers increase very rapidly over the years leading to 2011; as I said, 600 contractors in that year. We also saw a number of less-than-ethical practices by some providers — that is, offering bonuses and cash back for those who signed on to programs. We also saw a significant cost blow-out in what was estimated to be the cost of training, and we saw some evidence of very poor consumer knowledge — people signing on and not realising the implications of that.

As a result of the Essential Services Commission report, there were some changes implemented to start at the start of 2012, but predominantly the changes of significance were made at this time last year, in the May budget of 2012–13. We saw therefore some subsidy changes, we saw a range of quality control issues needing to be addressed. We also saw a different industry engagement system being introduced, and we also equalised provider payments across all sectors. These changes were applicable to new student enrolments from 1 July last year, but their full implementation was 1 January this year. I might add the announced changes in May of last year at budget time were necessary for the contractual arrangements, to give 60 days' notice of changed subsidies. That caused a big spike in enrolments, something to which I will refer in a minute.

The outcomes nevertheless for 2012 showed that there was a 22 per cent increase in enrolments in vocational training across the whole sector during the course of 2012, and 7 per cent growth in TAFE enrolments. Because of some of the quality control measures we put in place, the number of providers contracted to the department now in 2013 is 470; that is a drop from 600 to 470. That is a result of us requiring greater standards to be met and reached by those providers. We have also conducted 250 audits in 2012 of 133 registered training organisations. I cite that as validation of the focus that we have put on quality.

The next stage of consolidation and refocusing of the sector addresses the issue of TAFE and making sure that we have a sustainable TAFE system in Victoria. That is why a TAFE reform panel was put in place by this government, and government response has since been received to that particular report. Part of the government response was a structural adjustment fund of \$200 million, which as members would be aware was one of the highlights of this budget.

Overheads shown.

Mr HALL — Finally, in the presentation time I have left I want to turn to one particular slide which again sets a context for decisions in this year's budget. The blue bars of those graphs are successive years starting in 2008–09 through to the budget estimates period, and the blue line is the appropriated base funding that has been given out over the years. You can see that the red components on top of those particular bars 2009–10 to 2011–12 were the escalation in cost beyond that appropriate for the forward estimates. That cost was met by a memorandum of understanding that the department has with Treasury, so they were the blow-out in the budget, if you like, and what the estimations were.

The green components are a result of this government's record investment last year of \$1.033 billion into training, so we have articulated those in green. The purple component there represents an amount that had been brought forward to ease the transition pain with the measures put in place. Because of that spike in enrolments that I spoke about before, we had to make sure that there were funds to see that through. In allocating the 1.033 billion last year, 134 million of it was brought forward to that particular year, to the 2012–13 year, to ensure that the training needs were being met.

The last thing I want to say about this is this is government funding. Government funding is one side of the story, and enrolments are the other side of the story. There was a 22 per cent increase in enrolments in the last 12 months, and the likely trend at this early part of the year is that those numbers are still pretty much on track to be well and truly maintained throughout 2013. We are getting more enrolments and we are getting more training for the dollars that we are spending. That was part of the efficiencies that we required, the Essential Services Commission recommended and indeed the TAFE reform panel recommended.

That, Mr Chair, sets the context I think, trying to help the committee understand the impact of changes from 2012–13 and the measures taken in this 2013–14 year's budget.

The CHAIR — Thank you, Minister. We have around about 50 minutes left for questions, which I will start. Minister, in the context of the 2013–14 budget can you outline to the committee examples of capital infrastructure projects within this portfolio that will be either commissioned or completed in the coming financial year?

Mr HALL — As I said, one of the centrepieces of this budget in this particular portfolio area is the \$200 million structural adjustment fund. That is funding for TAFE institutes alone. It is an outcome following a recommendation of the TAFE reform panel that assistance be provided to those TAFE institutes that may require some assistance to build their business to one which is sustainable into the future. Government has allocated that \$200 million over the next four years. Half of that — \$100 million — is in capital works; the other half will be for operational matters. The \$100 million for capital works will enable TAFE institutes to submit bids for projects that they think will meet their future needs. Particularly what we are going to be doing is encouraging with the funding guidelines for those a requirement to fully explore areas where they might collaborate with other institutes or even other providers to develop those facilities. We do not want to see capital infrastructure duplicated across all campuses across Victoria if we can do it better.

We want to also encourage the employment of technologies to deliver training. Currently we are piloting in Gippsland 21 technology-enabled learning centres where those technology facilities will enable the greater delivery of programs to more places more efficiently using technology. They may also arise out of bids for this \$100 million fund as well.

I also wanted to make mention of the fact that in last year's budget there was a commitment for \$25 million primarily to assist and provide some seed funding for opportunities that might exist through the Education Investment Fund, a program run by the federal government. We have earmarked a number of projects where the Victorian government would provide assistance to that. As yet the federal government has not announced any of those projects for Victoria, and that is something of concern for us, but it is something that we have got dollars in the bank to assist with.

Finally, I want to say in terms of capital investment in our TAFE system, many of the TAFEs — particularly the large TAFEs — make their own capital decisions in their investments and with the operations that they undertake, both with government-funded delivery but also fee-for-service delivery. Many of the TAFES — particularly the bigger TAFES — have built up significant capital reserves, so are in good shape to look after their own investment decisions. A lot of those investment decisions you will find will be undertaken by the TAFES themselves without further government assistance.

Mr PAKULA — Minister, I also want to ask you about this \$200 million structural adjustment fund package. Note (a) in budget paper 3, page 7, says:

The TAFE structural adjustment fund package of \$200 million over four years includes funding from this output —

that being the output 'Additional support for TAFE', which has some \$28 million of the \$200 million in it. It goes on to say that there is:

\$71.6 million from the vocational education and training reform package and \$100 million in asset funding.

In the *Australian* of 9 May your spokesman is quoted as saying that the package was partly funded from unallocated existing resources but was a new appropriation for TAFES. We asked the Premier about this the other day. I am just trying to get my head around this claim of it being \$200 million of new money. Is every dollar of that \$200 million money that has not previously existed or been allocated in a budget?

Mr HALL — The answer to that is yes. The \$28.4 million figure to which you make reference makes up part of that, and that is national agreement money, which comes from the federal government for vocational training in Victoria. What we have done is take that amount over the next four years and applied it specifically to TAFEs as part of the structural adjustment fund. So \$28 of that \$200 was money available for training in Victoria; what we have done is make sure we have quarantined it and dedicated it specifically to TAFEs.

Mr PAKULA — My follow-up question then is this: when you say in the budget that \$71.6 million of the \$200 million is from the vocational education and training reform package — which was a package that was previously announced and money was allocated — where has that \$71.6 million come from?

Mr HALL — That has been appropriated through Treasury as new moneys — —

Mr PAKULA — It was money previously allocated?

Mr HALL — No, what I am saying is, in terms of that particular money, it is money that we sought from Treasury and that has been appropriated to us as part of the 2013–14 budget. It is new money.

Mr PAKULA — Not really.

Mr ANGUS — Minister, I refer you to budget paper 3, page 62, and to the ending of the apprentice trade bonus scheme. Can you explain to the committee the reason for this change and outline what ongoing support the government provides to encourage apprenticeship-level training.

Mr HALL — I am happy to talk about that particular question. The apprenticeship trade bonus has been around, I think since the mid-2000s.

Ms PEAKE — Two thousand and six.

Mr HALL — It was first implemented in 2006. It provides \$250 for apprentices who complete six months of training, and then a further \$250 for those who complete 12 months of training. It was designed to try to encourage apprentices to improve their completion rates. What we have found is that there has not been any significant improvement in terms of completion rates. That is an issue that I think we all need to look at, and I know through ministerial council that it is not a problem unique to Victoria. It is a national problem, and we should be looking at ways in which we can improve completion rates.

The best thing any government can do for apprenticeship take-up is to provide the right economic environment for job creation and therefore opportunities for employers to take on apprentices. That is the first thing that needs to be said. Alternatively what we can also do is reduce the cost of training apprentices. That is where we have decided to focus our attention. You might recall that in last year's budget, in terms of subsidy assignments, every single apprenticeship area in the state of Victoria had an increase in the subsidy paid by government, and that continues today.

What we are finding — if you look at some of the apprenticeship areas — the average support for apprenticeships has now risen from a figure of \$2730 per year to \$3280 per year of the apprenticeship. So with the increased subsidies, the government is actually providing on average \$550 more every year of the apprenticeship to offset the cost of that particular training. That has led to some fairly significant increases in the support we are able to give apprentices throughout their training rather than just in their first year. I might add, too, that an important factor about completion is apprenticeship support. Indeed that will continue are the apprenticeship support officers and working with the commonwealth, where some of those positions are part funded by the commonwealth. We think having apprenticeship support officers available to go out and talk to both the apprentices and their employers is a key component of that support.

In answer to your question, Mr Angus, what we are doing is supporting apprentices more than ever before with that subsidy payment. We believe that can be a far more effective way of assisting with their retention throughout their apprenticeships. I might also add that that apprenticeship trade bonus that we were paying also coincides with a payment made by the commonwealth — a \$1600 tools payment — also made to apprentices in their first year. As I said, we decided that supporting apprenticeships in a far stronger and more tangible way would be to invest that money in supporting their training.

Mr SCOTT — I would just like to return to the issue Mr Pakula was exploring about the structural adjustment fund package and its genesis. As was noted, on page 7 of budget paper 3 a reference is made to the \$71.6 million coming from the vocational education and training reform package. In last year's budget there was an appropriation for that package, which is referred to in budget paper 3 of 2012–13, pages 17 and 18. It is directly referred to on page 18 where there is a line item, 'refocusing vocational education in Victoria', which is directly referred to as being the vocational education and training reform package. Appropriations are made in 2013–14 of \$225.3 million, in 2014–15 of \$224.3 million and in 2015–16 of \$224.3 million. Just to clarify the situation, the 71.6 million, if I understand correctly from the note, is an allocation coming from those appropriations made over these out years which relate to the budget years we are currently in — 13–14, 14–15, 15–16.

Mr ONDARCHIE — Where is the question going?

Mr SCOTT — That is exactly the question. Does that money relate to those outcomes? Does it come from those appropriations?

Mr HALL — I am going to seek some advice from perhaps Mr Miles, but my understanding is that this is money that has been allocated but not distributed because it is being held by the Treasurer because it is a contestable fund of money; therefore the commitments have been clearly made in the budget. What you are asking me for relates back to some components of last year's budget. Without those in front of me I am not sure, so I might throw to either Mr Bolt or Mr Miles to respond.

Mr MILES — This is the first year in which that funding has been available to spend; it has not been available to the portfolio last year or in the years previous to that. This is the first year that it is available and is being provided to the department in the appropriation.

Mr SCOTT — Is it that money — —

The CHAIR — To the minister, please.

Mr SCOTT — Just to be clear though — and I respond to the evidence given; the minister may then refer because he has obviously referred to Mr Miles previously. If I understand correctly, and you did not directly respond to the question, the money that is referred to as the 71.6 million does come from that appropriation from last year's budget or that line item from last year's budget 'Refocusing vocational education in Victoria'. Is that correct?

Mr MILES — The money had not been set aside for the department separately. It was not able to be accessed by the department. This budget confirms it can be accessed by the department for expenditure.

Mr PAKULA — But it is that money.

Members interjecting.

Mr O'BRIEN — In relation to chart 3.6 on page 38 of budget paper 2, which shows the increase in government-funded vocational training enrolments — I think you showed a similar chart in your presentation — I ask you, Minister, to outline exactly how much extra funding has flowed to our TAFE institutes from the government as part of this continued growth.

Mr HALL — I thank Mr O'Brien for his question. It helps to clarify a misconception out there that the government is not supporting TAFEs or there has been reduced funding to TAFEs as a result of the reforms. There has been more money than ever before available to TAFEs as a result of the reforms — that is, with an uncapped, demand-driven training system and with the record investment that has been outlined on the graph that is still showing there, that funding is available for providers who are contracted to deliver government-subsidised training to get out there and to market themselves and to win a greater share of that market. That is what has happened. As I said in my opening remarks, during the year 2012 TAFEs actually enrolled 7 per cent more students than they did in 2011 and consequently got additional revenue for that.

The operating revenue across the whole of the TAFE sector in 2012 was \$11 million higher than it was in 2011. It is particularly pleasing that regional institutes achieved a surplus of \$39 million in 2012, compared with

28 million in 2011. I also made the comment before about the nature and the position that TAFE institutes are in in respect of their ability to fund some of their capital requirements.

I think there are a couple of the highlights of the year which are worthwhile mentioning in terms of financial outcomes of some of our TAFE institutes. I have tabled the annual reports in Parliament in the last month — in a very timely fashion I might add — and when you read those annual reports there is some very good news for our TAFE institutes. GOTAFE in Shepparton, for example, delivered the sector's biggest improvement, turning a \$4.5 million operating deficit into an \$11.9 million operating surplus in 2012. Some of the other TAFE institutes that did well were Holmesglen, for example, which received \$87.8 million in state government funding. That was up 17 per cent if you compare it with just two years ago, 2010. Box Hill received \$69.1 million of state government funding in 2012. That is up 11 per cent from the 2010 figure. You can go through them — Chisholm, Gordon, William Angliss, Bendigo, South West, Wodonga and East Gippsland. Advance TAFE in East Gippsland, one of our smaller TAFEs, got \$13.2 million in state government funding in 2012, and that was up 23 per cent from 2010.

Our TAFE institutes are out there and they are marketing the product well. They have a reputation which is one they can rely upon, and through the structural adjustment fund and the TAFE reform panel work what we are doing is making sure they are well positioned to capitalise on their ability to win more and more of that investment the government is making in training here in Victoria.

Ms HENNESSY — Minister, if I could take you to page 89 of budget paper 3, you will see there on the performance measures that there has been a decrease of 10 360 in apprenticeship commencements over the last financial year and there are no new anticipated apprenticeship commencements this year. That reduction, if you go to the performance measure note, says it is 'due to subdued business conditions in the construction sector'. Given the government has been spruiking its projected growth in construction activity right across the forward estimates, if there is projected growth, why is that not reflected in increased apprenticeship commencements?

Mr HALL — The construction industry involves more than apprentices. There are other qualifications which those in the construction area undertake as well. If I look at some of those, just for the information of the committee, in the area of building and construction the diploma of building and construction showed a 33 per cent increase between 2011 and 2012. That is not an apprenticeship area; that is a diploma in building and construction. Certificate IV in plumbing gained a 21 per cent increase. So what I am saying is that not all activity in the construction area would be reliant upon new apprenticeships. There is more than apprenticeship training which adds to work in a construction area. The investment in this particular budget of over \$6 billion in infrastructure is going to be a great boost in opportunities for more positions and then ultimately more training.

Ms HENNESSY — No more apprentices, though.

The CHAIR — Order!

Mr HALL — We make those predictions. If they are exceeded, I would be the first to be delighted about that. I would be absolutely delighted.

Mr PAKULA — Setting the bar low?

Mr HALL — No, I do not think so. I think the training activity in this particular report — I have brought in some documentation that I could refer the committee to. If you look through the VET activity report for 2012 — there is some separation of that information into industry areas — you will see that there is some really good, positive news about training meeting the demands required of state. That applies in building and construction, as it does in many other areas.

The CHAIR — Ms Hennessy, do you have a supplementary, despite the earlier incursion?

Ms HENNESSY — I do, despite the earlier incursion, which was technically a clarification, Chair.

The CHAIR — We ask the question and then we get a supplementary.

Members interjecting.

Ms HENNESSY — In any event, Minister, if I could just pick you up on the Victorian training market quarterly report for the full year of 2012, to which I believe you just referred, because that does outline some significant decreases in apprenticeship enrolments across the state for last year. If you took an example, apprenticeships and traineeships have decreased in the Great South Coast region by a massive 12 per cent over 2012. Why do you think they have dropped so dramatically, specifically in that region, given the impact we know that has had on local industry and businesses?

Mr HALL — Are you talking about the south-east region of Victoria or south-east region of Melbourne?

Ms HENNESSY — The Great South Coast region. I have an extract here of the report, page 23.

Mr HALL — You are asking me for particular information which I will be more than happy to answer on, if you want to give me time to read through this, but this particular report again is a further report, a subset of the 2012 training activity report, which again breaks down the information in there into regions across Victoria — a very handy document. It is true that the Great South Coast is one of those regions for which training activity is broken down. I would have to go through this page to read exactly what it says about apprenticeships in the Great South Coast region, but quickly I can already see that government-funded enrolments in that region in 2012 versus 2011 showed a 17 per cent increase and TAFE fee-for-service enrolments in that region showed a 15 per cent increase.

Ms HENNESSY — We are about outcomes, though.

The CHAIR — Order!

Members interjecting.

Mr HALL — You are right. As I go down the page, despite some increases in some areas — particularly enrolments by TAFEs across that region increased by 29 per cent — it is true that my dashboard on this region tells me there was a 12 per cent decrease in apprentices and trainees in that particular region. How that compares with other regions is something that I would need to have a look at. For example, Central Highlands, as I flick to that one, showed a 12 per cent increase in apprentices and trainees. So I think you have to look at it more broadly. There might be specific reasons in one region why it decreased but in other regions, like the one I have just cited, there has been an increase.

Mr ONDARCHIE — Minister, in the context of the budget, *Building for Growth*, I want to ask you about supply and demand associated with training for jobs. I wonder if you could explain to us how vocational training is responding to labour market demand to supply the skills needed to build a strong and growing economy in Victoria?

Mr HALL — One of the important developments we have seen already arising out of the changes made in last year's budget was where we gave greater incentive for training to take place in areas of need, particularly in areas where there were skills shortages or areas of importance to the Victorian economy. If I look at pre-July 2012, 49 per cent of training activity was in what we called categories A and B, the two areas in which we tried to encourage training to take place. Post-July 2012, what we see is that figure now is sitting at 65 per cent of training activity. So the encouragement given by way of greater subsidy to train in those areas of importance to Victoria is demonstrated by that particular fact, that we are seeing that trend happening.

On top of that, in particular areas we have been seeing some significant increases, like we have seen a 26 per cent increase in enrolments in health care and social assistance, again a growing area of demand and skills shortage in the state. Overall — and this goes back to Ms Hennessy's questions — we have also seen an increase of 9 per cent in enrolments in construction. That has been positive as well. It has not all been in the apprenticeship-traineeship area, but in construction in general.

Also something I could have mentioned in my opening but for the sake of time did not was the \$6 million Industry Transition Fund that we also have available and that continues into this year's budget. Again, that Industry Transition Fund is set up to assist if there is a need for workers who are retrenched to go back and do training. Indeed, that is a fund that has been employed in a number of cases around Victoria in the last 12 months and one which assists.

In terms of meeting Victoria's needs, Mr Ondarchie, I think the clearest evidence I can point to for you about the reforms working is that trend which I cited earlier, where we are seeing more and more training activity in the categories A and B subsidy areas which are the ones of great economic importance to Victoria but also importantly in skills shortage areas.

Mr ONDARCHIE — It is about meeting the market?

Mr HALL — Absolutely.

Mr PAKULA — Minister, I want to ask you about the TAFE transition task force. The government tenders website shows that a contract was entered into for eight and a half months' work for \$517 900 with ACIL Tasman Pty Ltd to do this work. When I look at the ACIL Tasman website it tells me that the executive director of ACIL Tasman is Ms Lourey, who is sitting at the table.

Mr ONDARCHIE — Which part of the budget is this?

The CHAIR — Order!

Mr PAKULA — It is the TAFE transition task force and the expenditure of public funds.

Mr ONDARCHIE — Can you just show us the part of the budget?

The CHAIR — Order!

Mr PAKULA — The minister has already referred to the TAFE transition task force.

The CHAIR — Order! The Deputy Chair has the call.

Mr ONDARCHIE — I would just like to know where he is referring to.

The CHAIR — The Deputy Chair has the call.

Members interjecting.

The CHAIR — Committee members, we are not going to engage in a discussion about the source of the question. The question is from the Deputy Chair to the minister. If the minister has a concern about the question or any detail in the question, then he can seek further information from the Deputy Chair.

Mr PAKULA — My question is simple: the contract that was signed is stated on the Tenders Victoria website to have expired on 31 March this year. So with Ms Lourey's continued presence at the table and in the TAFE transition area, does that suggest, Minister, that the contract has been extended, and if so, did that extension go to tender?

Mr HALL — Mr Pakula, the employment of the staff of the department is the responsibility of the secretary, who undertakes those duties. Consequently I am going to ask him to respond to that particular question about the employment arrangements of the contracted firm.

Mr BOLT — Yes, the contract has been extended. No, it did not go to tender.

Mr PAKULA — Right. So my supplementary is: reading from the tenders website, it says:

A certificate of exemption was signed for not proceeding to public tender or seeking the requisite number of quotations in this instance.

Mr ONDARCHIE — Did you just asked a question you knew the answer to?

The CHAIR — Order!

Mr ONDARCHIE — I am just wondering. He has just asked a question — —

The CHAIR — Order! Mr Ondarchie, the Deputy Chair has the call.

Mr PAKULA — So you revealed at the time of the tender being awarded that you did not go to public tender and did not get a number of quotes. You have just told us that you have not gone to tender again for the extension. So my supplementary is: why not, how long has it been extended for, and how much extra are you spending?

The CHAIR — A very comprehensive supplementary, but Minister do you — —

Mr HALL — Before I ask Mr Bolt to respond to the particulars of that, I think it needs to be put on the record the effort that the department has made to reduce expenditure in terms of a lot of the departmental areas of expense. If you look at, for example, the use of contractors, the department expenditure in 2010–11 was \$140.9 million and then \$119.9 and then \$115.0 in 2012–13. So there has been a progressive decrease in the use of contractors and external consultants. Hospitality and entertainment, overseas travel — there has been an effort to decrease departmental expenditure in those areas. So the question needs to be set in context in terms of what we are seeking to achieve in this department. I now hand back to Mr Bolt.

Mr BOLT — Thank you, Minister. Mr Pakula, I am happy to provide the figures that you are seeking, but I do not have them at my fingertips. But the extension is not a long-term extension. As I say, we will provide the figures, and they will be disclosed in due course.

Mr PAKULA — And the bit about ‘why no tender?’.

Mr BOLT — The question about why not a tender is the significant issue. The reason is that we had a major task entailing commercial analysis, governance reform and industry reform to undertake. In the ordinary course of events I would employ someone as an executive officer to do that work. Together with Kym Peake, my deputy secretary, we looked long and hard for experience in relevant areas that I could engage as an executive officer and we simply ran out of options. That is not to say, however, that Ms Lourey is in some way an inferior choice. To the contrary, having had a professional relationship with her over several periods, she has an exceptional suite of skills in commercial analysis, industry reform and regulation that were highly relevant.

The one area that we can freely say Ms Lourey has had no experience in is the VET sector or the TAFE sector itself, but given that the crucial nature of the work that needed to be done for the minister and given the need to fill that position rapidly because options did not exist, I very readily went to ACIL Tasman to engage her services. The pressures that we were under, the unique set of skills we needed and the fact that we needed somebody to hit the ground running meant I was completely happy on that occasion to waive the requirement for tender or for the furnishing of quotes. We had done a significant but informal market test, and I was satisfied this was by far the best remaining option for us.

Mr ANGUS — Minister, I refer you to page 90 in budget paper 3 and to the target of 33 000 pre-accredited module enrolments for the adult, community and further education sector in 2013–14. Minister, I ask: what has been done to improve the critical skill of digital literacy amongst this cohort of primarily adult learners?

Mr HALL — Thank you very much for that question, Mr Angus. It is an important question, and I have had some personal interest in seeing this through. It occurs to me today that there are Victorians who simply do not have the skills of digital literacy that will enable them to currently or particularly in the future function fully as a member of the Victorian community. The need to access and have digital skills is critical, now more than ever. The amount of functions that people are now expected to do online, using technology — it means that without those skills people will find it difficult to live a normal life. In terms of communication nowadays, I cannot remember the last time I had a newsy, snail mail letter; it is all via technology. For communication, particularly with older people and their children and grandchildren, they need to have that technology skill.

With all of this in mind as background I am working with the ACFE board. We searched for ways in which we could extend digital skill literacies across the Victorian community, particularly through our Learn Local providers, of which there are around 310 or so through Victoria. Many of those provide some introduction to computers, and it seemed to me that it would be enhanced if we could have some commonality of program delivery right across the state of Victoria.

I am delighted that this year the ACFE board has notionally allocated 20 per cent of its pre-vocational training budget to the use of instruction in digital literacy across the state, and we expect that that will benefit probably 7000 individuals but potentially a lot more, because we have been working with Intel who have developed a

product called Intel Easy Steps. It is about a 14-hour introductory course that can be extended to 20 hours if required. They have been generous in terms of their assistance in developing that. It is a train the trainer-type program that is now under way. Our first couple of batches of trainers have now been trained up in the use of this program, and we will be taking it out through our Learn Local organisations to address this lack of digital literacy skills particularly in the older sections of the population but equally in others who have missed out along the way.

We have talked a lot about numeracy and language literacy, but digital literacy is now just as important in today's world, and I am really pleased that the adult education sector now has a focus on that. In 2013 we will see 7000 or more Victoria people benefit from the work undertaken through our Learn Local organisations.

Mr SCOTT — Minister, I refer you to budget paper 3, page 10, and the asset initiatives. The TAFE Structural Adjustment Fund is a new asset initiative announced relating to TAFE, and there is an allocation there of \$5 million in the 2013–14 year. Given that Swinburne University is about to close its Lilydale and Prahran campuses in July and the value of these sites will exceed the total statewide capital allocation for next year, has the government ruled out providing funding to purchase these sites?

Mr HALL — The government has been working with a number of organisations on the potential use of that Lilydale site that Swinburne has indicated it will vacate. We have been working with the Shire of Yarra Ranges, which has an interest in the acquisition of part of that property, and they have been talking to Swinburne about that. We have funded Box Hill Institute of TAFE to do a business analysis for delivering programs in that area, and that is still actively under consideration. So there has been a fair amount of work undertaken by the state government to look at future use, and we are hopeful we will get a positive outcome. If there needs to be a state government contribution — that has not been decided, because we have not got a definite proposal before us to consider. It is not beyond the realms of possibility that a provider might step in, using their own source of funds, and if there is a requirement for any government assistance we can look at that as well. but we have not got a definite proposal at this point in time.

Let me also say, related to the answer I give, that the TAFE reform panel very clearly indicated that the government should have an expectation that TAFE institutes become self-managing in terms of their assets and operations, and one thing that is recommended — and the government has accepted the recommendation — is the transfer of title to TAFE institutes for properties on which they operate. That will also give TAFE institutes greater power to control their own financial matters into the future.

Mr SCOTT — There was a previous government question that touched upon capital funding, but if the \$5 million is not allocated to the purchase of those sites, could you outline the specific programs that it is actually allocated to — just the \$5 million in next year's budget?

Mr HALL — The capital funding program of this structural adjustment fund is also a competitive grant program, so we will look to proposals that come forward from TAFE institutes to access that. I would imagine that the \$5 million is more likely to go to doing master planning and preparatory work prior to some major capital works being undertaken. I know in last year's budget one example was Chisholm Institute, where we found \$1.5 million to assist them in developing a master plan for their Frankston operations. So my expectation is that that \$5 million allocation will be more likely planning money being allocated to bring projects to fruition for future funding in subsequent years.

Mr O'BRIEN — Referring back to budget paper 2, page 37, and the quote that the government has invested more money in training than any other Australian jurisdiction, I would ask you, Minister, to elaborate for the committee on how Victoria's investment compares to that of other states and territories, and in doing so can I also ask you to advise the committee, in relation to Victoria's demand-driven system for training, how the government can support training delivery in areas of study where the training market fails to deliver courses?

Mr HALL — A double-barrelled question — I will try to answer that as succinctly as I can.

Ms HENNESSY — I doubt it is a surprise!

Mr HALL — He did surprise me with the structure of the question.

Ms HENNESSY — He surprises us on a regular basis, Minister.

Mr HALL — Mr O'Brien, first of all, seeks some information on what the investment Victoria makes in vocational training is compared with other states. It is not just my recommendation; I know the NCVET has also done an analysis of expenditure by all states on training. While we have 24 per cent of the population in Victoria, we provide 33 per cent of all state and territory funding that goes to vocational training. The amount, both proportionately and in dollar terms, that we spend on training in Victoria is better than all other states, including New South Wales. Where we are spending currently about \$2.4 billion, New South Wales came in second with \$2.2 billion, despite them having a bigger population. The efficiency which we gain from our investment is also better than other states. What we are getting is about \$11.18 per student contact hour. That expenditure, again compared with other states, is a far better outcome.

In terms of the second question about how therefore that expenditure is used to address areas where there might be cases of market failure, perhaps the most classic example I can point you, Mr O'Brien, to is that of Auslan training here in Victoria. We saw what we described as a case of market failure where we did not have any providers willing to or able to deliver at the rate that the government marketed that training at. This may not be the same method employed in other cases of market failure, but in this particular case what we did was we sat down with the deaf and hard of hearing community and discussed with them what training needs were required from their point of view in their sector.

Once that was determined we went to tender. We put out a contract for tender for the delivery of a certain number of training qualifications in the area of Auslan. We were able to announce just a week ago that there was a successful tenderer, being the Victorian Auslan Training Consortium that was led by Northern Melbourne Institute of TAFE and included La Trobe University and the Victorian Deaf Society as well. That is a \$5.2 million contract to deliver training over the next three years. Within that period of time it will see a minimum of 700 training places created, initially in certificate II and diploma. Enrolments for those are open now, and those courses will start in July. Certificates III and IV will be added to that list, and they will start in January of next year.

Some of the important things we were able to achieve out of this contracted arrangement are that 30 per cent of those minimum 700 places will be delivered in regional areas. For those deaf and hard of hearing people who require Auslan services that is a great opportunity, something that they have not always had before. There is one other feature of the contract that I need to mention, and that is that in this particular instance we were able to overcome some of the eligibility requirements that would have otherwise denied people some access to government-supported training. It means that the parents of a child with a hearing impairment who need to learn Auslan to communicate with their child are not disadvantaged just because they might have a higher degree than the certificate of Auslan which they seek to engage in.

It was a really good positive outcome, one that I know has been warmly welcomed by the deaf and hard of hearing community and one that is going to see a significant increase in training in that area when you compare it to what was being delivered before. In the previous three years there were about 500 places; this provides for a minimum of 700 places. That is one way in which we are able to address where the market is simply not delivering training as required.

Mr O'BRIEN — Thank you for your comprehensive answer, and well done for the delivery of the Auslan.

Ms HENNESSY — Indeed. Thank you, Minister. I refer you to budget paper 3, page 7. They are just your general departmental budget outputs, but I want to ask a question around the different government responses to different TAFEs that are experiencing financial difficulty. I suppose the two cases that I would compare are that funding has been brought forward for Bendigo TAFE to assist it in paying its operating expenses for this year. We have also seen the case of GippsTAFE, which I understand has been given, or offered, a government loan in the vicinity of \$7 million at less than market rates. What I would really like you to do is help the committee understand what criteria the government uses to determine which TAFEs, for example, might get bailout funding and which TAFEs, for example, might get access to a government loan with a very low interest repayment.

Mr HALL — Certainly we are working closely with all of our TAFE institutes. There is a regular monthly communication backwards and forwards about the financial positions of those TAFE institutes. They submit to us invoices for payments of the students that they train each month, and there is an ongoing dialogue there. Where there is any concern that TAFEs themselves may have or the department has with the financial viability

of any TAFEs, then that contact is intensified, so closer levels of assistance are provided to our TAFE institutes. Let me say very clearly that we are here to work with them, and the last thing I would want to see is any TAFEs enter into some financial difficulties.

That being said, there were some particular problems that were incurred by the two TAFEs which you mentioned. In the case of GippsTAFE, it was a loan being advanced to them. All TAFEs are required to invest with the Treasury Corporation of Victoria. The loan repayment was made through the department. It was through funding appropriations that we had that we are able to advance to them by way of a loan arrangement. They were in the circumstance whereby they had invested heavily in some capital projects, most notably at the Chadstone campus, which is a fine training facility for linesman training and fibre optic training, a very good facility. They had a cash flow problem that they had to overcome. We assisted by providing a loan for them to overcome it.

In the case of Bendigo, it is well known that for a number of years now — I think under the previous government too — some advance payments have been made to get them through, again, a short-term problem. I am confident that with the assistance now provided, as recommended by the TAFE Reform Panel, of \$2.5 million they are now in a good position to go forward and be a strong and viable provider in that region. I am particularly impressed with the fact that they are working with La Trobe University very closely through this process of TAFE reform. They have also demonstrated a willingness to collaborate with other providers to make sure that they can maximise the efficiencies in which they deliver training programs throughout the region.

That is sort of a brief background on those two. But in general terms, we work very closely with TAFEs, and they are required as part of the arrangements to keep in contact with us, too, and notify the department if there is anything looming that they believe could be a financial threat or risk to them. They do that, and they all do it very well. We will continue to work closely with them to make sure each of our TAFE institutes remains strong and sustainable.

The CHAIR — We are out of time.

Ms HENNESSY — Just a very quick one.

The CHAIR — A very quick one.

Ms HENNESSY — Minister, are you satisfied that all of the probity requirements around the \$7 million low-interest loan to GippsTAFE were adhered to?

Mr HALL — Yes.

The CHAIR — Thank you, Minister. I do thank Ms Peake and Ms Lourey for their attendance this morning. That concludes the hearing on higher education and skills. We will have a 5 minute break and resume with the teaching profession portfolio.

Witnesses withdrew.