



LEGISLATIVE COUNCIL

STANDING COMMITTEE ON
FINANCE AND PUBLIC ADMINISTRATION

Fifth Report to the Legislative Council

INQUIRY INTO DEPARTMENTAL AND AGENCY
PERFORMANCE AND OPERATIONS

REPORT ON VICTORIAN SKILLS
COMMISSION'S PERFORMANCE
FOR 2007-08

JUNE 2009



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**REPORT ON VICTORIAN SKILLS COMMISSION'S
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STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

Committee Members

Mr Gordon Rich-Phillips – Chairman
Member for South Eastern Metropolitan Region

Mr Matthew Viney – Deputy Chairman
Member for Eastern Victoria Region

Mr Greg Barber
Member for Northern Metropolitan Region

Ms Candy Broad
Member for Northern Victoria Region

Mr Peter Hall
Member for Eastern Victoria Region

Mr Matthew Guy
Member for Northern Metropolitan Region

Mr Peter Kavanagh
Member for Western Victoria Region

Substituted Members

Mr Brian Tee for Mr Matthew Viney

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ESTABLISHMENT OF THE STANDING COMMITTEE

On 21 November 2007, the Legislative Council resolved to appoint a Standing Committee on Finance and Public Administration with a Membership of seven Members. The Council's resolution came into operation on 1 April 2008 and the Committee's inaugural meeting was convened on 7 April 2008.

In accordance with the establishing resolution, the following Members were appointed to the Committee:

- Mr Greg Barber - Australian Greens,
- Ms Candy Broad - Australian Labor Party,
- Mr Peter Hall – Nationals,
- Mr Matthew Guy - Liberal Party,
- Mr Peter Kavanagh - Democratic Labor Party,
- Mr Gordon Rich-Phillips - Liberal Party, and
- Mr Matthew Viney - Australian Labor Party.

At its inaugural meeting the Committee elected Mr Rich-Phillips as Chairman, and Mr Viney as Deputy Chairman.

The establishing resolution provides the Committee with a wide range of powers. Some key features of the Standing Committee include:

- The Standing Committee exists until the Parliament is either prorogued or dissolved.
- Members of the Committee may be substituted by another Member from the same political party.
- The Committee has the power to inquire into any matter or thing relevant to its functions, which is either referred to it by resolution of the Legislative Council, or determined by the Committee.
- The power to appoint sub-committees to inquire into matters.

REPORT

1. Inquiry Background

1. Pursuant to Legislative Council Sessional Order No. 22, the Standing Committee on Finance and Public Administration may inquire into any proposal, matter or thing that is relevant to its functions which is referred to it by resolution of the Council or determined by the Committee.
2. On 28 October 2008, the Committee resolved to inquire into and report on Victorian departmental and agency performance and operations for the previous financial year. It is the Committee's intention for this Inquiry to be ongoing for the life of the Standing Committee.

2. Victorian Skills Commission Hearing

3. On 24 February 2009, the Committee resolved to invite the Victorian Skills Commission (VSC) to give evidence at a public hearing with respect to the agency's performance and operation for the 2007-08 financial year.

2.1 Witnesses

4. On 23 April 2009, the Committee received evidence from the following Victorian Skills Commission and Department of Innovation, Industry and Regional Development representatives:
 - Ms Rowena Allen, Acting Chair, Victorian Skills Commission
 - Mr Phillip Clarke, Acting Deputy Secretary, Department of Innovation, Industry and Regional Development (DIIRD)
 - Mr Ron Cooper-Thomas, Acting Director, Resources and Facilities & Chief Financial Officer, DIIRD
 - Mr Jim Strilakos, Acting Director, Finance, DIIRD
 - Mr Keith Gove, Manager, VSC Secretariat

2.2 Role of Victorian Skills Commission

5. The VSC was established in July 2007 by the *Education and Training Reform Act 2006* (Vic), with a board of ten members. The VSC continues the work of the Victorian Learning and Employment Skills Commission which operated between 2001-07 under the *Vocational Education and Training Act 1990* (Vic).
6. The role of the VSC is to provide advice to the Government on funding for training and further education following post compulsory education. It also regulates the apprenticeship and trainee system and supports the Local Learning and Employment Networks.

2.3 Key matters raised in the hearing

7. The following issues were discussed during the public hearing with VSC:
 - Key reporting indicators, their framework, outcomes and why they are not reported in Annual Report.
 - Funding allocation mechanisms.
 - Progress and effectiveness of Skills Stores initiatives and industry participation and awareness of the 13 Skills Stores.
 - Progress and effectiveness of the 31 Local Learning and Employment Networks' brokering of 112 new partnerships and initiatives to improve education, training and employment outcomes of 15-19 year olds.
 - Further clarification on financial overview including reasons for \$ 31.4 million operating surplus.
 - Ownership, acquisition and disposal of assets.
 - Allocation of funding between public and private training providers.
 - Student retention rate at year 12 level.
 - Impact on apprenticeship completion rates where an employer is unable to keep on an apprentice.
 - The relationship between Commonwealth and State funds for apprenticeship training.

- The current and future status of Australian Technical Colleges.
- Clarification of the predictive model for skills needs and factors affecting projected future skills needs.
- The percentage of mature age students returning for training.
- The areas/industries currently claiming skills shortages.
- The degree of skills crossover when people change across skill or industry groupings.
- The criteria used to assess the performance of institutions in delivering courses, other than employment outcomes.
- Any potential link between course quality and funding.
- The criteria used to assess the VSC's own performance.
- Reasons why Victoria is an attractive place for overseas students to study.
- The progress of the Nursing Skills Centre at Box Hill Institute of TAFE.
- Whether any qualified young person in Victoria has missed out on a TAFE place.
- Whether any economic modelling has been done in relation to what revenues will be increased under the new fee structure.
- The impact on the VSC's funding arrangements following the move to a demand driven system.

2.4 Documents tabled at the hearing

8. The Victorian Skills Commission provided an opening presentation at the public hearing. A copy of the slide presentation is provided in Appendix 1.

2.5 Questions taken on notice

9. The following questions were taken on notice by VSC at the public hearing (page references refer to the transcript in Appendix 2):
 - The current Year 12 completion rate and how this compares over the past two years (p. 10);

- A breakdown of mature age students including the proportion who return for further training (p. 12); and
 - Data on the number of international students attending TAFE institutions compared to private providers (p. 18).
10. A copy of VSC response to questions taken on notice is provided in Appendix 3.

Committee Room
23 June 2009

APPENDIX 1 – VICTORIAN SKILLS COMMISSION'S PRESENTATION



Inquiry into Departmental & Agency performance & operations

23 April 2009

23 April 2009

1



Contents of presentation

- VSC context
- Overview of the Victorian VET system
- Summary of VET activity in 2007
- Impacts on VET targets
- Questions

23 April 2009

2



VSC Context

- Statutory authority established 2007 by *Education and Training Reform Act 2006*
- Previously the Victorian Learning and Employment Skills Commission (VLESC) established by the *VET Act* in 2001
- Has executive and advisory powers
- Most powers delegated to Skills Victoria within the Department of Innovation, Industry and Regional Development

23 April 2009

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VSC functions

- broad advisory role to Government on post compulsory education and training
- State training agency and executes responsibility for the State training system
- provides funding for training and further education
- regulates the apprenticeship and traineeship system
- monitors the outcomes of post compulsory education and training
- supports Local Learning and Employment Networks

23 April 2009

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VSC key relationships

State

- Victorian Registration and Qualifications Authority
- Adult, Community and Further Education Board

National

- Department of Education, Employment and Workplace Relations
- Skills Australia and Industry Skills Councils
- National Industry Skills Committee

23 April 2009

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VSC industry training advisory system

- 16 Industry Training Advisory Bodies (ITABs)
- Department industry development staff
- National Industry Skills Councils
- Priorities: aligning government-funded training delivery with industries with higher need

23 April 2009

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VSC governance & support

- Audit and Risk Committee: 2 independent members, including the Chair, & 2 VSC members
- VSC Secretariat provides governance, planning and board support
- Annual VSC strategic planning & risk management process
- Research, evaluation & monitoring
- Stakeholder engagement

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VSC 2008-10 strategic plan

Core strategies:

- Increase **productivity** by identifying and providing mix & level of skills and qualifications to meet current & emerging needs of employers, industry and the community in the new Victorian economy
- Increase workforce **participation** by providing skilling opportunities for new entrants, workers facing industry change, & those unattached or marginally attached to the workforce

23 April 2009

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Strategic plan: **enabling** strategies

- Capacity & capability: ensure system & provider capability to meet productivity & participation needs
- Investment: increase investment in skills development in a fair & effective way
- Governance: ensure effective and accountable governance for the skills development system, & effective links to other components of the broader workforce development system

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Overview of the Victorian VET system

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Overview of the Victorian VET system

- Skills are a key driver of economic growth and human capital development
- Key functions of the Victorian VET system are to develop a skilled workforce and to enhance social participation
- Victoria's VET system is seen as nation-leading in terms of student participation, private investment in training and efficient delivery
- VET in Victoria is funded by State, Commonwealth and private sector

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VET Revenue

VET Revenue by funding source - 2007

Recurrent Revenue	\$m	% share
State Govt	723	47%
Comm Govt	260	17%
Fee-for-service	392	26%
other	159	10%
Total	1,533	100%

Capital Revenue	\$m	% share
State Govt	37	46%
Comm Govt	43	54%
Total	80	100%

TOTAL FUNDING **1,613**

Note:
 Revenue figures are based on those reported to Skills Victoria. The private sector funds additional training that is not captured in these figures.

Victorian Govt funds almost half the reported recurrent and capital expenditure in the Victorian VET system

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VET expenditure (2007-08)

Item	(\$M)	(%)
TAFE institutes – core funding	782	73
Specific purpose, administration & other	92	8
TAFE institutes - capital expenditure	71	7
Industry Training Advisory Bodies	7	1
Private registered training organisations	91	9
Adult, Community and Further Education	19	2
TOTAL	1062	100

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VET activity

In 2007 there were:

- 510,000 students
- 670,000 course enrolments
- 4 million module enrolments
- 126 million student contact hours (SCH)

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VET Providers

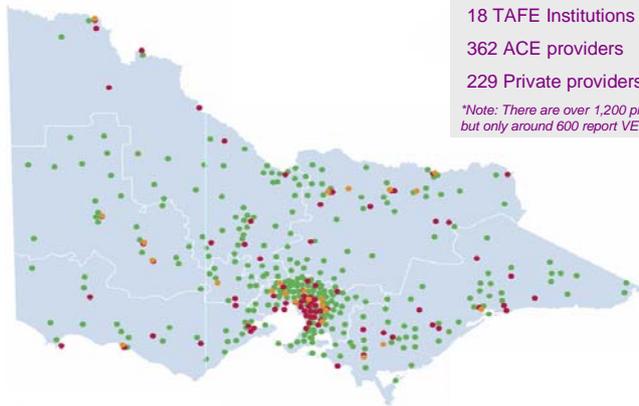
Registered Training Providers in Victoria who reported VET activity in 2007*

18 TAFE Institutions (includes 4 dual sector providers)

362 ACE providers

229 Private providers

**Note: There are over 1,200 providers registered to deliver VET in Victoria but only around 600 report VET activity to Skills Victoria.*



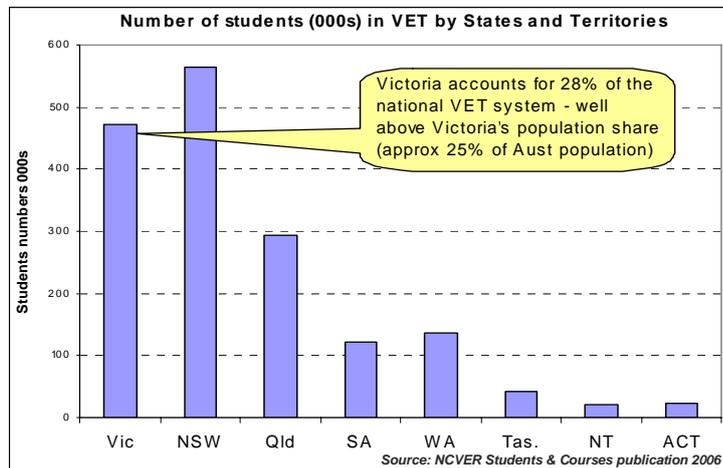
● TAFE campuses
 ● ACE providers

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Victoria's share of national VET delivery



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Overview of the Victorian VET system

- Government funds 65% of reported VET activity in Victoria
- Provider shares of reported VET activity: TAFE 80%, Private 12%, ACE 8%
- Younger students represent the largest proportion of VET student population
- Priority areas for VET delivery are:
 - Apprentices & Trainees (AQF 3&4)
 - Higher level qualifications (AQF 5&6)

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Governance arrangements

- Governance of TAFE in Victoria is decentralised
 - TAFE boards determine how their Institutions are run
 - TAFE boards encouraged to form alliances with industry and to generate revenue via fee-for-service activity
 - TAFE Institutions are well placed to be flexible and adaptable to meet market demand
- arrangements aim to maximise effective local decision making while ensuring appropriate levels of accountability to government and parliament

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Summary of VET activity in 2007

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Key messages – 2007 VET activity

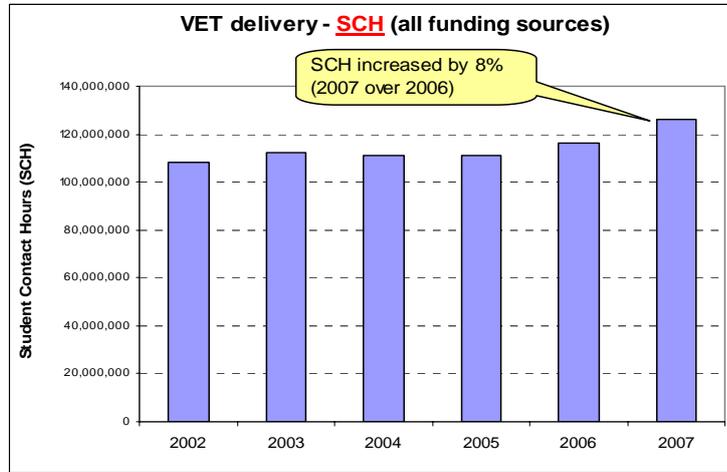
- Victorian VET system is growing
 - (8% increase in 2007 over 2006 SCH)
- Growth in TAFE fee-for-service (FFS) activity
- GVT target (delivery to adults) being met in 2007
- Youth participation continues to grow

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2007 VET Delivery – Student Contact Hours

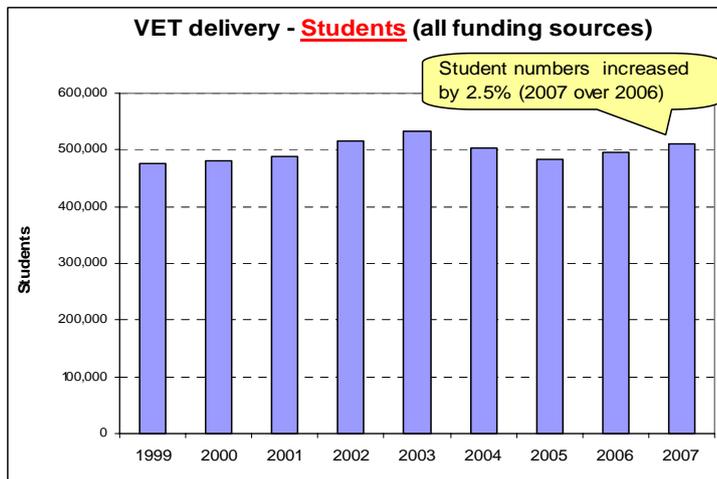


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2007 VET Delivery – Student Numbers

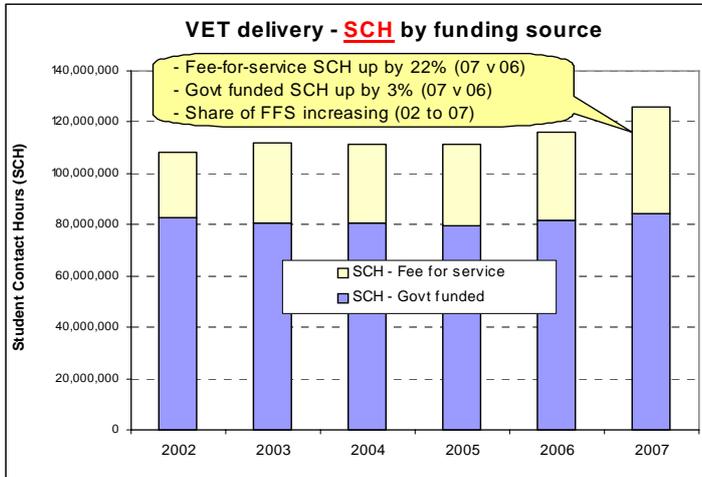


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2007 SCH by Funding Source

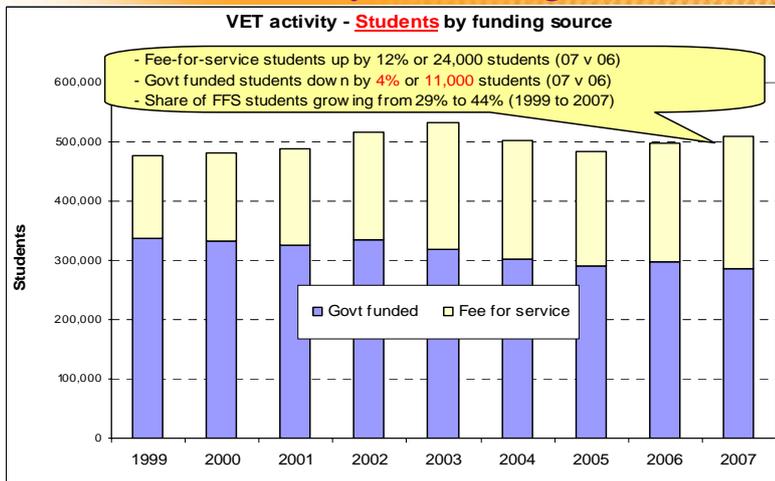


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2007 Students by Funding Source

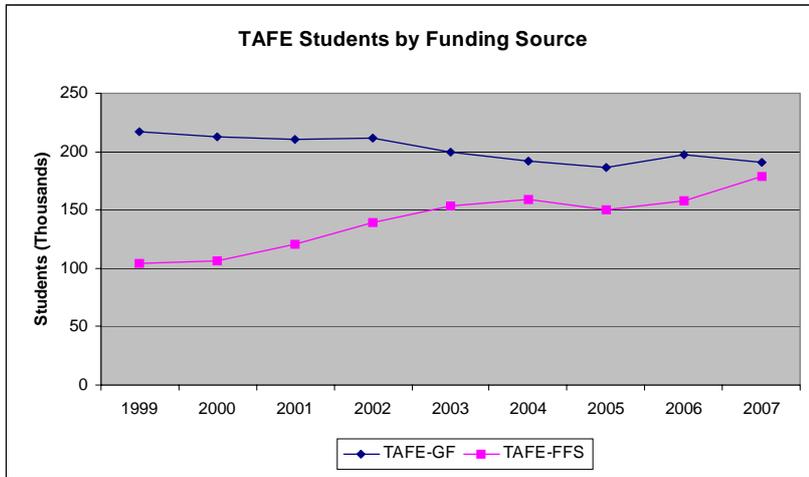


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2007 TAFE Students by Funding Source

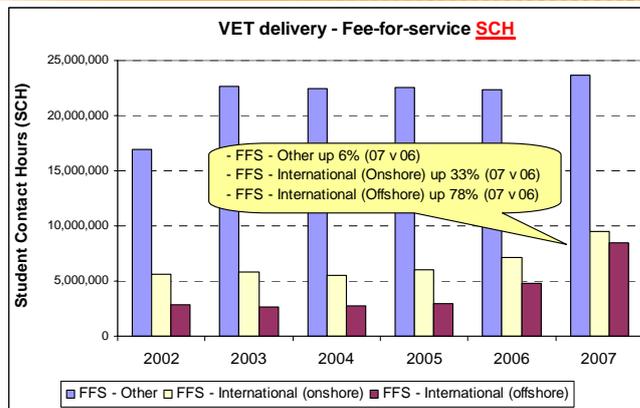


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Fee-for-service activity



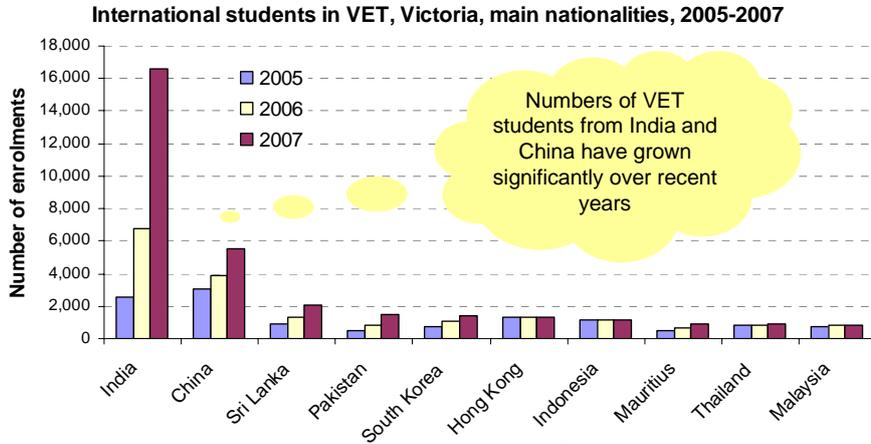
- 'FFS Other' consists of all activity where funding is obtained through fees charged to clients based on cost recovery e.g. interstate apprentices, offender education and training in ACE, VET in VCE, other domestic FFS activity.
- 'FFS International' consists of all activity funded by overseas full fee paying students – split into those studying onshore in Victoria or offshore

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International students in VET - Onshore



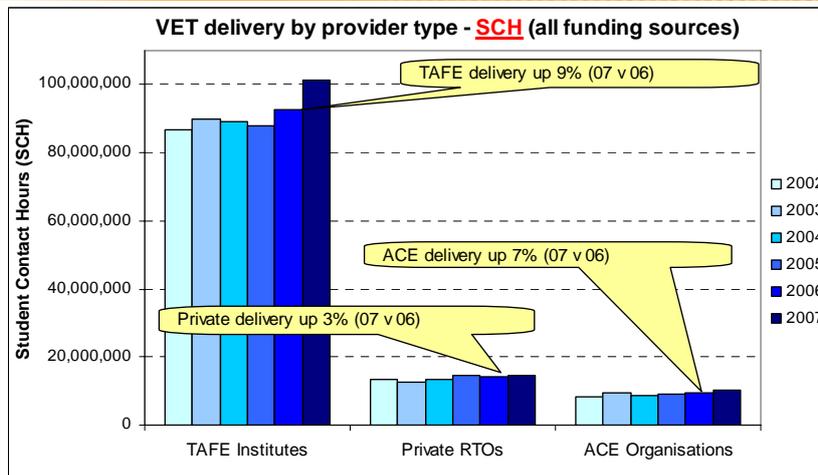
Source: Australian Education International, Statistics December 2007

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VET delivery by provider type - SCH

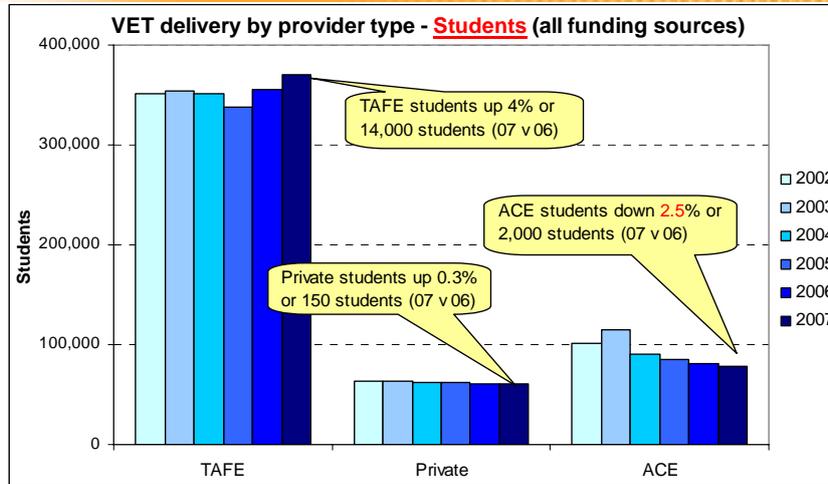


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VET delivery by provider type - Students

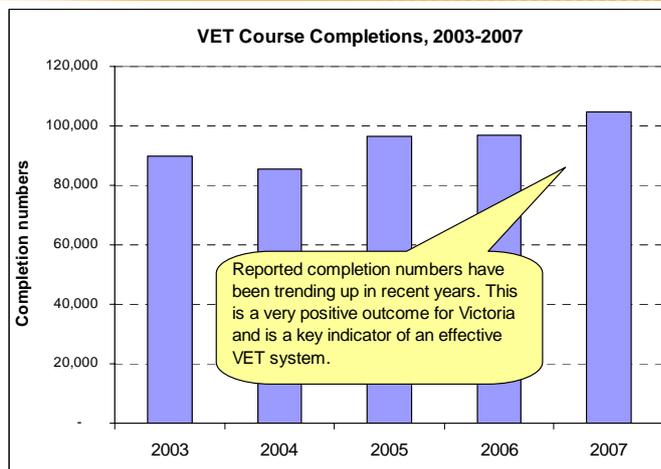


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VET course completions – 2003 to 2007

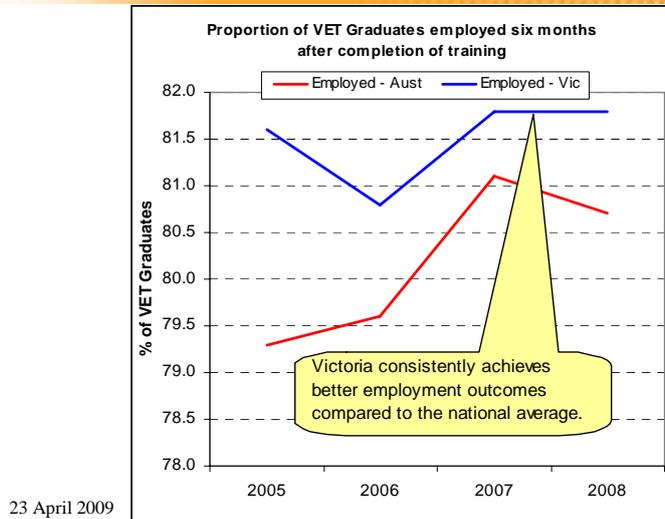


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VET graduate employment outcomes



Data Source: NCVET Student Outcomes Survey 2008

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Employers' views of the VET system

- In 2007, **85.4%** of Victorian employers reported being satisfied with training as a way of meeting their skill needs.
- This compares favourably to the national result of **80.8%** satisfaction for this measure

Data Source: NCVET Employers use and views of the VET system 2007

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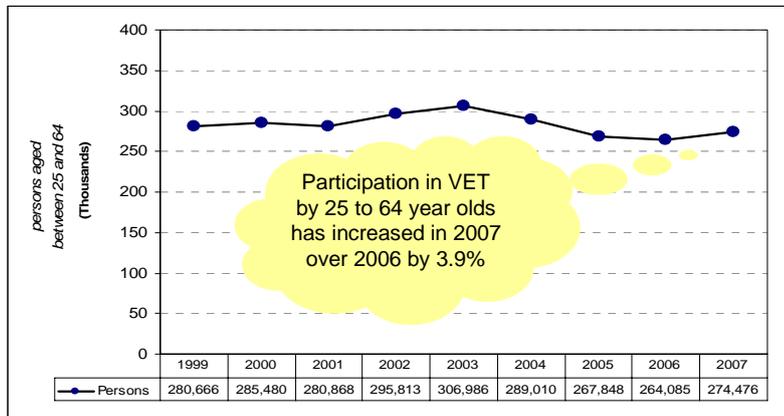
Impact on VET targets

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GVT2 Target (Growing Victoria Together)



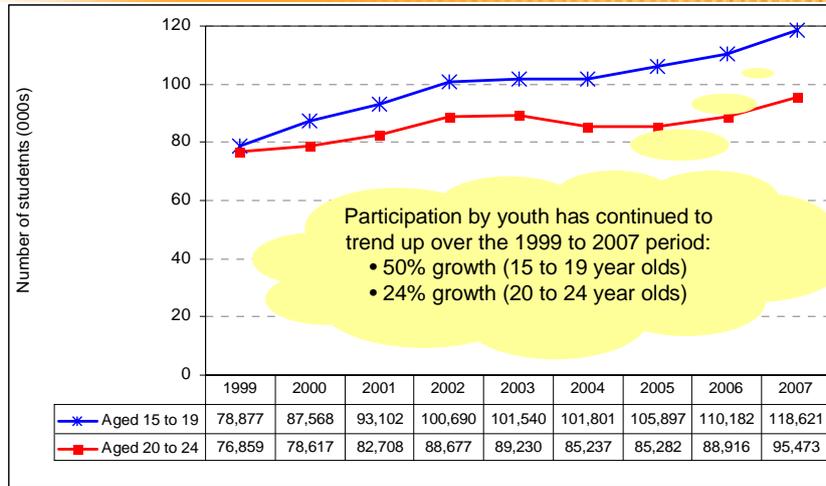
- **GVT2 target states that** – the level of participation in vocational education and training of adults aged 25 to 64 will increase.

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VET Participation by Youth

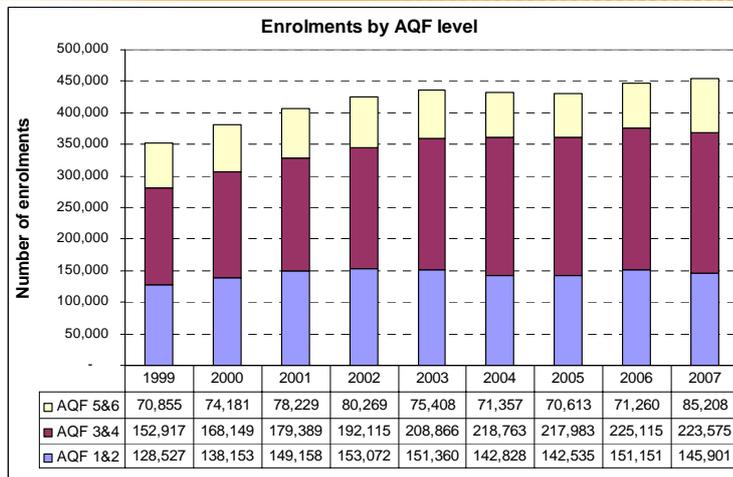


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VET Enrolments by AQF level



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APPENDIX 2 – TRANSCRIPT OF EVIDENCE

CORRECTED VERSION

STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION

Inquiry into departmental and agency performance and operations

Melbourne — 23 April 2009

Members

Mr G. Barber
Ms C. Broad
Mr M. Guy
Mr P. Hall

Mr P. Kavanagh
Mr G. Rich-Phillips
Mr M. Viney

Chair: Mr G. Rich-Phillips
Deputy Chair: Mr M. Viney

Substituted members

Mr B. Tee for Mr M. Viney

Staff

Secretary: Mr R. Willis
Research Assistant: Mr A. Walsh

Witnesses

Ms R. Allen, acting chair,

Mr P. Clarke, acting deputy secretary, Skills Victoria, Department of Innovation, Industry and Regional Development,

Mr R. Cooper-Thomas, acting director, resources and facilities, and chief financial officer, and

Mr K. Gove, manager, secretariat; Victorian Skills Commission; and

Mr J. Strilakos, acting director, finance, Department of Innovation, Industry and Regional Development.

The CHAIR — I declare open the public hearing of the Legislative Council Standing Committee on Finance and Public Administration. Today's hearing is in relation to the inquiry into departmental and agency performance and operations, and this morning we hear from the Victorian Skills Commission. We have a number of witnesses with us. I welcome Ms Rowena Allen, the acting chair; Mr Philip Clarke, the acting deputy secretary; Mr Ron Cooper-Thomas, the acting director, resources and facilities, and chief financial officer; Mr Keith Gove, the manager, VSC secretariat; and we also have Mr Jim Strilakos, the acting director, finance, from the Department of Innovation, Industry and Regional Development. For the purpose of the hearing today Mr Brian Tee will be joining us in place of Mr Matt Viney.

All evidence taken at this hearing is protected by parliamentary privilege, as provided by the Constitution Act 1975, and further subject to the provisions of Legislative Council standing orders. Any comments made outside the precincts of the hearing are not afforded parliamentary privilege. All evidence is being recorded by Hansard, and witnesses will be provided with a proof version of the transcript in the next couple of days. I now invite you to make an opening presentation if you would like, or we can proceed straight to questions.

Ms ALLEN — I have a short PowerPoint presentation this morning, of which I believe you all have copies; and also just to continue the introduction a little further, probably for the question period, we have Philip Clarke here as our deputy secretary and Jim Strilakos was the chief financial officer for the commission during 2007, which is why he is also with us. To give you some background about the commission to start with, I will go through some of the context, an overview of the vocational education and training system, the summary of activities for 2007, which is our focus today, the impacts on VET, and then we will have plenty of time for questions.

Overheads shown.

Ms ALLEN — The commission is the statutory authority established in 2007 by the Education and Training Reform Act. The commission has executive powers and makes decisions about the \$1 billion in VET funding and also advises government on skills and training matters. Most of our delegations go to Skills Victoria, and our main focus is to monitor those delegations. This is a set of dot points which broadly outlines our functions. They are quite lengthy, but this was a version that was agreed to by the Victorian Learning and Employment Skills Commission in 2005. It is reasonable shorthand and is still consistent today.

The last point under 'VSC functions' notes that we also support the local learning and employment networks, and even though the commission moved to DIIRD and the LLENs stayed within education, we still have contractual arrangements for those as well. I am personally interested in ensuring that the commission can have a role in keeping industry at the table at those local learning and employment networks because it is a key role in engaging young people in the VET system through keeping industry there.

In terms of some of our key relationships, we have membership of the chair of the Victorian Registration and Qualifications Authority on our commission as well as the Adult, Community and Further Education Board, and the relationships we have nationally are key and critical as well, with the Department of Education, Employment and Workplace Relations but also the new and emerging Skills Australia. We are currently setting up a memorandum of understanding with Skills Australia to carve a very clear relationship with them as well. Of course nationally we also work with the National Industry Skills Committee.

We gain most of our information from our own 16 statewide industry training advisory bodies. They are independent boards of committees (ITABs) of the different industries. That is our strongest link for information around our purchasing arrangements. On behalf of the commission, Skills Victoria liaises with other parts of the department, including industry sectors such as aviation. Interestingly again, we are trying to ensure that our ITABs liaise and relate well to the National Industry Skills Committee, where possible. One relationship there that is working quite well is with forestry, and their national ITAB is actually contracted to run our state ITAB around forestry, so that is one of the things we are doing there.

In relation to governance and support, the commission has its own audit and risk committee. We have two independent members on that, as well me as the acting chair and two commission members. A lot of the work we are doing around this is making sure that we are on track. In 2008 the Victorian Managed Insurance Authority did its risk framework quality review of the commission. It ranked us as good and

found a number of the aspects of the framework operating well. It recommended a number of initiatives to be improved for the overall effectiveness of the commission, which are being implemented.

Looking at our strategic plan, we are really focusing on productivity and participation, particularly participation in higher level qualifications. We are working at a mix of levels to make sure we meet the current industry needs. Just around some of the things that were offered around support for governance, we are looking at three points here. Particularly around governance of the groups that we liaise with, our stakeholders, we have provided governance training for LLENs and ITABs, so we did some work around that to increase investment and skill and do that in a fair and effective way.

I am going to move on to the overview of the sector itself. As I said, this is a very broad overview and we are able to drill down further as required. We certainly believe skills are the drivers in economic growth and human capital development. The key functions of the VET system are to develop a skilled workforce to enable social participation. You can see by my bio that that is probably my interest on the commission, coming from a community service background. It is about this last 10 per cent, to make sure we can get all marginalised groups better skilled and able to take up employment and training opportunities for social participation, which reduces a number of other aspects. Victoria is a national leader in terms of participation — we will go on to show you some of that — and it is well funded.

On the breakdown in some of the funding for VET revenue in 2007, this is the total revenue for VET, both government funding and fee-for-service in this line. State government funding accounts for about two-thirds of the total government dollars for VET, and private sector funding provided by industry and individuals is referred to as the fee for service. This is the breakdown of the government-funded expenditure only, and it is less than the total which included non-government. I will go on to talk a bit more about that.

In 2007, the year we are looking at here, we had 510 000 students, 670 000 course enrolments and of course more in the modules. This is based on the calendar year. Most data presented here is in the 2007–08 annual report, which I think you have got here. As a bit of a view of where these students are and where the providers are, you can see we have quite good coverage across Victoria. The orange dots are the university campuses. There are four Victorian universities that are providing VET within their scope. These are the registered providers that are reported here. There are many more that are registered by VRQA that do not actually receive government funding and that are industry owned.

On the share of national VET delivery, this slide shows the number of students who participated in VET in 2007 within each Australian state and territory. You can see there that it is quite good news; we are doing quite well. We are the second highest to New South Wales with the number of VET students there. As I said earlier, it shows that the government funds about 65 per cent of the reported VET activity in Victoria. TAFE, as you can see, is by far the largest recipient of that with 80 per cent, followed by private providers and then adult community education at 8 per cent. There are priority areas there. We are looking at Australian qualification framework levels 3 and 4 and in apprenticeships and traineeships, and higher level qualifications in 5 and 6. This is really our drive — to try and get people skilled up in higher level qualifications.

Just a bit more background about the governance arrangements: in TAFEs in Victoria, as you would be aware, the boards determine their own governance arrangements. This is a balance between local decision making and government accountability for funds.

The summary of the activities of VET: basically the VET system is growing, which is also a positive, with an 8 per cent increase in 2007. That is the number of student contact hours. There is a continued growth in fee for service. Obviously we will need to watch what that turns into now, but as it relates to 2007, there was an increase in that. I will talk a little bit more about offshore delivery of VET in that. So we are meeting our targets for Growing Victoria Together, delivering to adults, and youth participation is increasing as well. There were 126 million student contact hours delivered in 2007. As I said, that was an increase of 8 per cent from 2006. The student numbers increased in 2007, but there was a lesser rate in contact hours. This is because there was a trend in recent years for students to enrol in longer AQF accredited courses, so that is fairly positive as well.

If you look by funding source now, in recent years fee-for-service activity has been increasing, with a greater rate than government-funded activity. As a result the share of fee-for-service delivery has increased to one-third of all the VET student contact hours in 2007. Although government-funded student contact hours increased in 2007, the number of government-funded students decreased. Again this is also just a reflection. Another way to interpret it from this slide is that students are actually participating in longer level and higher level courses. In terms of student numbers, fee-for-service activity accounted for 44 per cent of all VET activity in 2007.

On TAFE students by funding source, again this chart highlights the increased share of the VET market for fee for service. The TAFE institutes in 2007 were nearly the same number as government-funded students. This is the largely increased international student numbers, particularly as a result, not only in Victoria but also offshore, VET delivery as well. I think this demonstrates the success of TAFE institutes meeting industry and individual needs in that area. This is a breakdown of fee-for-service activity a little bit more. This is where the student contact hours numbers are around fee for service. Again it is just showing the increase in offshore activity.

The number of international VET students in Victoria has increased markedly. Students from India and China particularly account for more than half the total of international enrolments. As I said, obviously we hope to keep those numbers up, but we will see in these times what happens to our overseas market. This slide shows student contact hours by provider type. All provider types delivered more training in 2007 than 2006, so that is a good outcome, and of course with TAFE institutes experiencing the greatest increase in that.

This slide shows the number of students undertaking VET in 2007 by provider type. Compared to the increase in student contact hours, the rise in student numbers at TAFE and private providers was relatively small, and there was a drop in the number of adult community education students. Again I think this is another snapshot that reflects the increasing tendencies of students to undertake longer AQF-accredited courses, and the enrolments are strong in TAFE rather than in the ACFE sector.

VET course completions increased by 8 per cent between 2006 and 2007. Of course that is what we are hoping for, the completion rates and not just individual modules to get full qualifications for students. They totalled more than 100 000 in 2007. The upward trend here is also heading in the right direction and shows the success in our VET system. This is probably what we are in it for. This is the employment outcome section for our VET students, which shows why they choose VET in the first place. The chart shows that overall graduates consistently achieved better employment outcomes when compared to Australian results.

Having a look at some feedback about employers' views is really important. One of the commission's roles is to make sure that we engage industry and make sure that we are targeting the VET sector to industry need. In 2007, 85.4 per cent of employers reported that they were satisfied with the training. This compares favourably to the national measures there. That is also positive. There is room for improvement, but it is positive.

Having a look at Growing Victoria Together performance against that and those targets, from 1999 to 2003 the number of VET students aged 25 to 64 exhibited a sustained period of growth, and we peaked there at over 300 000 students in 2003. This number, as you can see from the graph, drops significantly to around 264 000 in 2006. The decline after 2003 arose from fairly active auditing of traineeships, leading to a reduction in inappropriate delivery of traineeships. In 2007 the number of students in this cohort grew by over 10 000 — or in percentage terms, 3.9 per cent — to reach nearly 274 500. The figures actually indicate combined growth in that area. We measured student contact hours and there has been sustained growth over the entire 1999 to 2007 period. The reasons for the decline would also be the strength in the labour market, shifting patterns in participation towards, again, courses for longer duration and a decline in the adult community education sector. There is an increased number between 2006 and 2007, maybe the result of increased focus on training for mature-age students. We had a project to look at increasing the number of mature-age students, which you might be aware of through the government's skills statement.

On VET participation by young people, this slide shows there has been considerable growth again in VET participation by students aged 15 to 24. Since 1999 the number of 15 to 19-year-olds has actually increased

by 50 per cent, and the number of 20 to 24-year-olds by 24 per cent. In 2006 to 2007 there was again an 8 per cent rise in the 15 to 19-year-old cohort and a 7 per cent rise in the 20 to 24-year-olds.

Looking from the AQF levels, this slide shows an increase in the enrolments in courses at a higher qualification level, which has been our focus. From 2006–07 enrolments in the diploma and the advanced diploma increased by 20 per cent. The number that that actually turns into is about 85 000 for the first time. Enrolments in certificate 1 and 2 courses dropped by 3 per cent, and those in certificate 3 and 4 courses remained relatively stable. I think that is quite a positive place to finish. I open for questions.

The CHAIR — Thank you. That was a very comprehensive presentation you have given for the committee. My colleague Mr Hall is, as you know of course, the shadow minister for tertiary education and training. I am sure he will have a range of questions to ask you and I am happy for him to have a fair part of my time allocation. I would like to ask you a couple of questions. Firstly, in respect of key performance indicators and the reporting of key performance indicators for the commission, there is obviously a lot of data available as you have presented. As far as reporting the outcome of the commission in the annual report, firstly, what do you regard as your KPIs for the commission, what are the key indicators, and how do you report those outcomes?

Mr CLARKE — The reporting arrangements in this area are largely driven by national arrangements. Commonwealth funding contributes about 30 per cent and there is a commonwealth-state funding agreement which has extensive national reporting requirements with it, which in turn are reported through an annual national report to the federal Parliament by the commonwealth minister. That is in effect the reporting framework which BP 3 measures, and other things are essentially contributing a part of or are subordinate to, if you like. That is the core reporting framework — the national arrangements which we meet. That data that is provided there is in fact all generated against a national statistical standard and to the national key performance indicators and measures within that.

The CHAIR — Is there any reason that you, as the skills commission, cannot be reporting that in your annual report as well? So as a Victorian taxpayer picking up your annual report, I can see your financial performance, but what I am not seeing is your actual key performance outcomes. I accept what you say about it being reported nationally. Is there any reason we cannot also be doing it through the annual report so that a user of the annual report will see your performance outcomes as well as your financial outcomes?

Mr CLARKE — No. In fact the Victorian performance is reported specifically in that national report, so if the view of the committee was that this report would be enhanced by that subordinate material, there is probably a timing issue; but leaving that aside, there is no particular reason why not.

The CHAIR — Being calendar year versus financial year.

Mr CLARKE — No. In fact the reason why a lot of the VSC data is annual as opposed to financial year — that performance data — is because that is the agreement with the commonwealth in terms of our national reporting. That aligns then with the enrolment period, which is typically semester based on a calendar year basis.

Mr TEE — Just to clarify, are you saying that if the Victorian taxpayer wanted to look at those figures, it is in your national report?

Mr CLARKE — Correct, yes.

Ms BROAD — They are publicly available?

Mr CLARKE — Absolutely, yes.

The CHAIR — Except, though, from the point of view of closing the loop and making this a more useful document to report what is occurring in Victoria. There is another area I just wanted to ask you about briefly. The funding you receive from the state and commonwealth for the funding programs, how is that allocated to individual institutions once it has passed through the hands of the VSC? Is that a VSC allocation model or is it allocated by the time you receive it? What is the mechanism?

Mr CLARKE — The first thing is that the funding is pooled. In fact the commission is the funding body. Under the commonwealth legislation that covered the reporting period — and bear in mind there have been

some changes since then — at the time of the reporting period we were operating under the commonwealth Skilling Australia's Workforce Act. That act requires that each state has a state training authority and that the funding from the commonwealth would flow to the state training authority, hence the creation of the commission in its current form. That funding comes to the commission; it holds it in accounts and so on. In turn the commission outlines a priority framework, if you like, for the allocation of the funds; that is one of its ongoing sort of policy and planning functions. Skills Victoria negotiates with public and private providers the allocation of the funds.

At the time of this reporting period, that was against a set of industry priorities. We negotiated a performance and funding agreement with each provider. That is a contractual obligation which I, as the delegate, enter into with those providers on, in the case of TAFE particularly, an annual basis; it is slightly different with private providers. There is also a slightly different arrangement with adult and community education where the commission forwards money on to the ACFE board, and it in turn distributes funds, again, though, against a set of expected outcomes that is then reported back and fed through. You can see it in the data that Ms Allen has given the committee.

The CHAIR — How is that priority framework driven? Ms Allen spoke about industry engagement. What is the actual mechanism to determine this year where to deliver X thousand places in this particular field? How is that determined?

Ms ALLEN — I will start with the overview and let the team behind me give you the technical. We have a number of ways to do that. We rely strongly on the industry training advisory bodies themselves to, over the years, give us change driver reports, which are presentations to the commission directly, where their industry needs skills and development. Most recently we have held our own industry forums as late as this week to actually get direct information from industry, and of course there is the data that is collected by government itself to tell us where the growth and skills gaps areas are. It has been certainly a very detailed and complex set of predictors to help us to purchase what we require and what Victoria requires. Technically how that is made up, Phil, is that there is a whole pool of people.

Mr CLARKE — Essentially we have operated a model that analyses shifts in the labour market. That has a quantitative element to it, and it has a strong qualitative element to it as well. With that model we have advised the commission against broad areas in which we think there should be growth and areas in which there should be less delivery. That in turn depends on the agreement the commission has negotiated through performance and funding agreements.

The CHAIR — What is the time period for that? If you foresee a need in the following year or the year after, how do you drive providers to changing needs? How do you make it a responsive mechanism?

Mr CLARKE — The performance and funding agreements are reasonably responsive in that they outline what — —

The CHAIR — I guess I am talking in terms of time frames.

Mr CLARKE — The econometric model takes data from the previous five years and links it to what is referred to as the Monash labour market model. Then it predicts, or attempts to predict, five years out the sorts of shifts that will occur in the labour market. But you have got to bear in mind in this area that this is not something that you can sort of turn on and off readily, so a person being trained, depending on the qualification level and depending on whether they are studying full time or part time or working et cetera, you are looking at quite significant periods to shift the skills profile. But in fact over the four or five-year period that we operated that model there have been some quite significant shifts as a result of negotiation. The point I would make is that that exercise was by negotiation and by relationships with providers in terms of working through where the shifts in priorities were coming from, on top of the econometric model.

The CHAIR — Thank you.

Ms BROAD — Can I start by thanking the members of the commission for your attendance today and your presentation, which was most informative. My understanding is that since the current Victorian government came into office there has been an investment of an additional \$1.2 billion or thereabouts in training and skills development, including almost \$400 million in TAFE capital. I hope most reasonable people would agree that that is a pretty solid foundation.

Mr BARBER — Catch-up and back pay.

Ms BROAD — It is a pretty solid foundation from which to develop a better skills system which is aimed at delivering better outcomes for individuals, for business and for communities. One of the ways that that funding has been invested is in an initiative called skills stores. There have been a number of skills store initiatives in my region of Northern Victoria, which is almost half the state. I was involved in the announcement of one in particular in Mildura. I would like to invite whoever is best placed attending today on behalf of the commission to inform us on how progress is being made through those skills stores. I think there are 13 in total, or at least according to the annual report at the time it was published there were 13. Just in terms of how they operate, how they do deliver on the aim of providing better access points to vocational education and training, and how they benefit individuals who take up these opportunities.

Ms ALLEN — Thanks for the question. As mentioned, skills stores are a new initiative of the commission. This is a recognition of the need to, as I have said, skill up people in qualifications. Often, as you would be aware, mature-age students are quite nervous. They may have had bad schooling experiences or English or literacy issues. This is actually a way to try to take recognition of prior learning to those people and into industry, make them responsive and available within the regions, which is why there are 13 and they are not centralised in the middle of Melbourne. The feedback is very embryonic at the moment because they are so new. But as I said in the industry forum only two nights ago, recognition of prior learning for industry is a key and critical platform for this, so this is our major initiative, the skills stores, in being able to recognise prior learning and also to individually sit down and work with potential students — employees — about how they might be able to work with their employer to upskill themselves into higher level qualifications. All indications are good at the moment.

To be fair to the initiative, there is a need for much more media about their existence. At the industry meeting two nights ago when I asked for a raise of hands from those who knew what skills stores are, positively half of the industry representatives there had heard of skills stores, so I think that is pretty good considering they are fairly new. I think they are the sorts of things that word of mouth carries. When we have lots of success — we are already having some but more success — we can advertise that. It is certainly a way for industry and rural industry to be able to upskill and take some opportunities. I know we are in a downturn at the moment, which is I think a perfect time for companies to do some training and look at their workforce so that when things do swing around Victoria is in a prime place to take up all the opportunities that are going to be available.

Mr CLARKE — Can I just add some factual information? There are 13 and they were contracted through a series of tenders over the period 2007 and 2008. Their areas of coverage are central Gippsland, Goulburn, Ovens, east, north-west and south-eastern areas of Melbourne. That was in the first round. They are also located in Geelong, Bendigo, Ballarat, the south-west around Warrnambool, Sunraysia, Wodonga and East Gippsland. In terms of some results, in the first 18 months they have provided assistance to over 25 000 Victorians, with over 60 per cent referred as clients for an RPL assessment. Bear in mind that these are not training providers; they are a function to try to get people in who are not in contact with the training system. I would have to say that some of them are actually run by TAFE institutes, but they are actually a step away from the formal institutional setting. There were 7200 RPL outcomes to date. They have moved people, and at a time when we are trying to get people's skills recognised they are becoming an increasingly important part of the system in doing that.

Ms BROAD — From anecdotal feedback that I have had from some mature-age students who, I might say from my standpoint, still seem pretty young — they are defined as mature age by the system — it has been very positive in terms of the opportunities that they have taken up.

Turning to the 15-to-19 year olds, the annual report also refers to the role of the commission in relation to supporting the local learning and employment networks, and it reports that that involves some 31 LLENs which are focused on improving education training and employment outcomes of 15-to-19 year olds. If I can just refer to one of those in my electorate, in the Swan Hill area they are incredibly enthusiastic in the way they go about trying to engage 15-to-19 year olds who are otherwise not engaged in the education system and suffer the consequences when it comes to employment opportunities. I certainly see them in rural and regional areas as being very important pathways for those very young Victorians.

The annual report refers to some 112 partnerships and initiatives that were brokered through the LLENs and states that those improved the outcomes of around 38 000 young people, which is a lot of young Victorians. I would be keen to hear the commission give us some examples of those partnerships and initiatives and some feedback on how you think those initiatives are progressing, particularly given that since this annual report was compiled of course the employment situation has changed somewhat as a result of the global financial crisis. So in that environment young people, particularly young people who are somewhat disengaged unless the LLENs can get them engaged, are even more disadvantaged in a labour market which is now not as good as it was from the point of view of those young people at the time this report was written.

Ms ALLEN — I do not have it with me, unless Keith has got one in his back pocket, but in 2007–08 I think the LLEN initiative produced a book on some of the best case studies that were achieved through that. I think the key crux to the success of the local learning employment networks is the number of platforms. One is that you do have the 31 across Victoria, which means we have blanket coverage, so we talking about being able to pick up young people who are falling through the system. We now do not have to look at just pockets of disadvantage, as often we do with programs like this, but we have a coverage which enables, particularly TAFE colleges and large providers that cover large geographical areas, to work with a number of local employment networks.

I think the key and critical part here is, as I said, to have industry at the table. It is going back to the theory that it takes a village to raise a child, and it takes all different sectors to get some of these outcomes. So it is education and the role of education, it is certainly the role of VET, TAFE and RTO providers but also the role of industry. I know in a lot of areas it is about those partnerships, and particularly for indigenous young people who have been involved in the LLENs network it is about knowing that there will be a job available and committed by an industry representative on that LLEN at the end of that training.

It is also about breaking down some of the language between education and industry. Some of the alternative education projects have been established really by setting up those partnerships in sectors that historically do not have any reason to come around table together, so in that forum they do, and everything is very locally based. We do a lot of work to showcase best practice but often the initiatives that are established by LLENs are really meeting very localised industry needs in those areas, and I think that is where their success comes from in being able to do that.

It certainly is an avenue for industry. One of the things that different members of industry have talked to me about is how do we actually make the VET sector a bit more appealing to young people? It is still the culture of: if you do not do VCE, you are not going to succeed. How do you make VET a really viable option and change the culture? I know from working in high refugee populations around Dandenong that LLENs are certainly trying to do a lot of education with second-level migration families, so that when they say they did not come to this country to have their kids work in a factory, we can turn that around and say, 'Look, first year out in a factory a fitter and turner earns \$85 000. It is not a dirty job any more'. It is about those initiatives that are reaching out to the whole community, much broader than schools have the capacity to do and much broader than industry alone has the capacity to do. I think that is where some of those partnerships are really going to see something. Again, it is a long-term change that is required and it is good to see those LLEN initiatives being funded because change management goes over a long period of time, but it is those relationships and partnerships that I think are picking up those individual young people through that process.

Mr HALL — Thank you for coming today and for the presentation, which is much appreciated. I have a few questions about matters contained in the annual report. Some of them are technical, some of them are more general relating to some of the comments in your report, and then hopefully later we will have time and I will come back and talk about some of the issues in your presentation too. First of all, in the annual report I am just interested in a bit of further comment on the items listed on page 4, the summary of financial results. I am seeking further explanation of some of those, particularly the footnotes to the summary of financial reports table. The first of those I note is the operating result for this particular financial year was a surplus of \$31.4 million. What happens to that surplus? Is that retained by the commission or is that returned to government?

Mr STRILAKOS — That is retained by the commission.

Mr HALL — It says in footnote 4 that that operating surplus was due to the growth in income from the sale of surplus assets and other matters. Could you just elaborate on that in respect of why it is such a seemingly substantial figure?

Mr STRILAKOS — I should probably just give you some background about the VSC. If you can think of it largely as a bank account. You can see there is \$1 billion worth of income that comes in from commonwealth and state, and expenditure largely in any year would reflect the income. So we actually budget for a very small surplus, if at all. This particular year we had \$37 million. There were a number of abnormal transactions that I recall. We had the sale of a building down at Southbank, and we recorded the proceeds of sale for that. That was in the order of \$4 million. We have interest earned on our investments, and that is generally around \$8 million, which contributed to that surplus as well. It is generally from one-off items. The following year, you would have expected us to actually budget for a deficit to take into account some timing differences — perhaps some payments that we did not make in this particular year, 2007, which we would make in 2008, and therefore overall if you look at it over a five-year period of time, you see that our surplus should basically stay very minimal. That is in the formal year, \$37 million.

Mr HALL — So what land assets are actually owned by the commission?

Mr STRILAKOS — The commission does not own the assets per se; they are owned by the TAFE institutes, but where they become surplus to needs, they come back to the commission and we arrange the disposal of those assets.

Mr HALL — Did you say South Melbourne?

Mr STRILAKOS — Yes, there was one in City Road, Southbank.

Mr HALL — That was a TAFE campus?

Mr CLARKE — Victoria University, the TAFE division of Victoria University.

Mr HALL — If TAFE institutes around the state acquire or indeed sell assets, they are doing it on behalf of the commission, or the commission is still the legal body?

Mr STRILAKOS — Typically the minister owns those assets. They are owned in the name of the minister.

Mr HALL — It says there too in footnote 4 there was lower expenditure in some program areas, with that spending deferred to the following year. Can you give us any breakdown of what sort of program areas have been deferred?

Mr STRILAKOS — Mainly in the private provider areas. We underspent in that particular area, and we got approval from government to roll those funds into the following year.

Mr HALL — In that case it refers to another question I had, which is: how do you allocate funding between public and private providers of training? Do you set a certain figure on a yearly basis?

Mr CLARKE — It is a budget decision. We should include the ACFE discussion in this as well. In that case there is a decision made by government that there is a proportion of funds that will go to the ACFE board for distribution to ACE providers, but in the case of the distinction between TAFE and private RTOs, there are two funding programs that private providers can access — apprenticeship and training programs — where we fund specifically apprenticeship and traineeship places delivered in the private sector, and the priority education training program, which covers more general courses. There are budget decisions taken each year as to the allocation of funds, and that can change. So, for example, there were additional funds from the Maintaining the Advantage initiative in 2006. A decision was taken that a certain proportion of those places would be distributed out through TAFE and that some would go out through the private sector. That was just a budget decision.

Mr HALL — Hence the reason we sometimes get a private provider going crook about a cap being put on their number of places — you have reached the percentage figure that has been allocated to the private providers?

Mr CLARKE — That is right, but what in fact happened in this case was that because they were dealing with apprenticeships and traineeships in the main, and you need an employer to take on the trainee or apprentice

and so on, some of them were a little bit behind their nominated contract size so they did not put the claims in in the year that the claim was expected to come in, and hence it has carried over, and that would be picked up in the following year.

Mr HALL — So in respect of that allocation between public and private, come 2011 under a demand-driven model there will be no cap, as I understand it?

Mr CLARKE — That is correct — when that is fully implemented.

Mr HALL — Footnote 5, also on page 4, says that total assets increased from \$ 88.8 million to \$ 152.5 million due largely to additional contributed capital. What does ‘additional contributed capital’ mean?

Mr STRILAKOS — Our surplus would go into our retained equity.

Mr HALL — I might be a bit thick, but I do not understand that. The increase it says here ‘is due to VSC receiving additional contributed capital, revaluation increment in the value of land and surplus for the period’. I can understand revaluation of lands, and surpluses, but what does it mean by ‘additional contributed capital’?

Mr STRILAKOS — It looks like there was one transaction where we had land transferred back to the state in its capacity as an owner, which is at note 7 of the accounts.

Mr COOPER-THOMAS — That transaction we were talking about before, that sale of the land at Southbank, the transfer of that land back from the TAFE to the commission is recognised as equity, it is not recognised — —

Mr HALL — And that is what you are describing as ‘contributed capital’?

Mr COOPER-THOMAS — Yes. So it is seen as equity coming back to the commission.

Mr HALL — Can I just ask a question about some of the skills commission’s overview expressed on pages 6 and 7? It talks about the importance of retention rates in the year 12 level, and it talks about a government-set target of 90 per cent by 2010. What is the current completion rate, and how has that trended over the last couple of years?

Mr CLARKE — We will have to get the detailed number. There is a number that is released by DEECD, and from memory I think the last reported is about 88.2 per cent, but I would need to check that exact figure. It is in that realm. At the moment the retention rate in Victoria is steadily increasing.

Mr HALL — I am happy for you to take that on notice and provide me with the current figure and, over the last couple of years, how that has varied. Talking about completion rates, on page 15 we talk about the average completion rate for apprentices in Victoria is 65.2 per cent and for trainees, 54.9 per cent. This is an issue that has been around for some time and it seems to me a critical issue that we need to address. What plans has the commission got to try to improve those completion rates for apprentices and trainees?

Mr CLARKE — The state funds a completion bonus scheme for apprentices and trainees, and there is also a bonus scheme for individual apprentices to encourage completion as well. In addition to that, the reason for some of those separations goes to relationship-type issues and so on, and certainly out of the Maintaining the Advantage initiative the government committed additional field officers to work across apprenticeship employers and apprentices to try and ensure that there were fewer people falling out of apprenticeships. Those are the primary initiatives that have been put in place in that area.

Mr HALL — Is it so that where an employer is unable to keep on an apprentice, that also increases or has an impact on completion rates? Do apprentices hang on or if they cannot be allocated to another employer, then they drop off and do not complete?

Mr CLARKE — That is right, but part of the intervention process of those field officers is to try and place those apprentices in that situation with another employer, be it an individual employer or a group training company. But that is a primary role of those field officers. I think it would also be fair to say within the TAFE institutes, whilst they are the provider, they work very hard to ensure that apprentices are able to keep with an employer of some sort to complete the apprenticeship where possible.

Ms ALLEN — Can I just add on that, Phil, that the field officers also try to negotiate. Obviously the employer's last point of call would be to put off the apprentice, but we have certainly got TAFE institutes that have got flexibility, if work is low for a period, to increase the training in block amounts rather than one day a week. But to actually be able to increase that for a while, to try and find things perhaps on the training so when the work does pick up, they will be available back on the job. We are trying to make that as flexible as possible, to hold apprentices in the field as long as we can.

Mr HALL — Is there any program to employ apprentices and trainees within the public sector?

Mr CLARKE — Yes, there is some support for that but it is not done through the commission. It is a completely separate government initiative.

Mr HALL — Could I next ask about a comment on page 16, where again on apprenticeships and trainees the report says:

At 30 June 2008, the overall number of apprentices and trainees was 122 243. Of these, 98 319 held a government-funded training place.

Why were all those places not government funded?

Mr CLARKE — Most of the difference in those numbers will be what are called existing worker trainees, where their employer has been able to access commonwealth employer incentives but which the state — and this would typically be the case right across Australia — does not fund the training place. Bear in mind that traineeships and apprenticeships are largely entry-level training arrangements. They are for people entering the workforce and that is inherent in the nature of them.

The commonwealth government did make available their incentives for what are called existing workers, they are the people who have been with an employer for some time, to also participate in traineeships. You do get cases where those incentives are used by employers to actually purchase the training place off a provider. In our funding arrangements we do fund adult apprenticeships — that is, in the traditional trades. That was a decision taken by the commission to do that as part of addressing the whole issue of skilled labour supply and so on, and there are some traineeships that are funded for existing worker adults as well — I think in nursing and aged care, for example, but typically we would not fund traineeships for existing workers. Indeed even the commonwealth incentives have been progressively wound back now, too, so that where they are funding existing workers through incentives, they tend to be at higher level qualifications.

Mr HALL — What about overseas students? Are any of those enrolled in apprenticeships or traineeships in Victoria?

Mr CLARKE — There could be.

Mr HALL — But not a major market?

Mr CLARKE — I actually do not know the answer to that.

Mr HALL — My last question on the report is a comment on page 18 about Australian technical colleges. I want to know what is the current status of Australian technical colleges and what is their future in Victoria?

Mr CLARKE — That is not really a function of the commission. At the moment the commonwealth government is negotiating with the states over the future of those but the commission has not been asked to be involved in that specifically.

Mr HALL — You mention it in the annual report. You made comments on page 18 about those:

The centres will help create effective pathways to employment or future training for 16-20-year-olds —

et cetera. So I would have thought that it was in the interests of the skills commission as to what happens to them in the future.

Mr CLARKE — Sorry, I stand corrected. There are negotiations going on at the moment with the Australian Technical College in Geelong, which has co-located with the Gordon Institute of TAFE, and indeed

those two organisations have now been brought together in a legal sense as well as obviously a physical co-location. Similarly in Bendigo the ATC has been amalgamated into the TAFE institute, with various connections across governance arrangements and so on; and there are negotiations going on around the East Gippsland Institute of TAFE and ATC as well. They are not yet complete.

Mr HALL — Thank you for that. In time I will come back to questions on the presentation.

Mr BARBER — I would like to explore a little bit more what you were saying about your predictive model for skills needs. How do you measure, at a given time, the gap between the industry structure and the skilled workforce that is out there, let alone as it might move over a fairly short period of years? Is there a scientific way to do that?

Mr CLARKE — There is an econometric model that we have been using, which, as I said before, is based on the Monash labour market model. It takes data around labour force participation by various characteristics over the previous five years and extrapolates that out over the next five years, using the Monash model as the determinant. Having said that, it also has to be complemented by a whole range of supplementary qualitative data and particularly input from industry and, in our case, primarily through the industry advisory boards.

Mr BARBER — But what is the mapping from labour force statistics to skills per se?

Mr CLARKE — Again, the ABS has definitions, and typically there are connections through the ANZSCO occupational classification system as to what a particular occupation broadly equates to in skill terms and then in qualification terms. Those are technical issues which I cannot explain in great detail, but that is what we rely on — for example, a paraprofessional occupation would typically be associated at a skill level with diploma or advanced diploma qualifications under the AQF.

Mr BARBER — Is there some sort of reading you can assign me so that I can understand that body of data as it sits at the moment — that is, it is your defined job which is to understand this on our behalf and then allocate money accordingly? Do you guys produce a formal document that becomes that?

Mr CLARKE — Again, there is a technical discussion paper, I believe, on the website as to how we do it and, if there is not, we can certainly arrange a separate briefing for you.

Mr BARBER — And the actual outputs.

Mr CLARKE — Yes, the outputs and the analysis are all on the commission's website.

Mr BARBER — There was a brief mention of mature-age students before. If there really were dramatic changes going on in skills needs, not over your five-year time line but over a human lifetime, would we not expect to see a lot more mature-age students or people just simply going back for either minor or major changes to their skill base?

Mr CLARKE — They are.

Mr BARBER — What percentage is it?

Mr CLARKE — I would have to take the specific question on notice — and I need to be careful to get the figures right — but a significant proportion of students in VET are mature age, and from the last time I looked, and again we will get the exact number for you, the average age of a student in TAFE was in the mid-30s. Most students in VET are employed, so it is a sector which covers a wide range of the labour market, and it is really only when you got into the age cohorts of 50-plus that the numbers drop away quite dramatically. Again, it might be better for the sake of accuracy that we get a detailed age breakdown on participation and forward it to the committee.

Mr BARBER — So of people who once did a TAFE-style qualification, a proportion who are back doing another one or a change, that is a reasonably good measure of the thing I was talking about, or is it more complicated than that?

Mr CLARKE — It is probably a little bit more complicated, but the fact is that people do come into the system, do a qualification, do a module and they come back some time later on.

Mr BARBER — Given that we have industries which are literally laying people off at the moment and which may have been the same industries claiming a skills shortage 12 months ago, are there industries out there at the moment that are still claiming a skills shortage notwithstanding layoffs in other industries?

Mr CLARKE — By our analysis there are industries that will continue to experience pressure finding skilled labour over the next few years.

Mr BARBER — Such as?

Mr CLARKE — Health and community services and utilities for a range of factors. Health and community services are not driven so much by the economy as by demographics.

Mr BARBER — Of the client base, you mean?

Mr CLARKE — Yes.

Mr BARBER — They are getting older?

Mr CLARKE — There are more people getting older, so you need more age-care workers is one fairly simple thing.

Mr BARBER — Is training the solution for that, or just better pay for aged-care workers?

Mr GUY — Let me guess what they would say!

Mr BARBER — For the record, he shrugged his shoulders. I would like to know the answer myself. Here in your annual report — you seem to report a lot more on the sorts of outputs, if you like, than on this process, but I am glad to read as much material as you want to give me — under ‘Context’ you say:

Victoria is undergoing a transition to an innovation economy and is confronting economic and social challenges, not least from an ageing population, global pressures and the impact of climate change.

Where do those three things fit into your predictive model and task? Is climate change coming into your model at a particular place?

Mr CLARKE — Probably at the moment more in a qualitative sense, but I think there would be a recognition that the nature of jobs or employment will be affected to a degree by that, and that will vary from industry to industry. So the primary industries ITAB, for example, and forestry, et cetera, would be factoring that into their qualitative advice to us quite significantly now. There is a water IAB — that is fairly small — and obviously that is a front and centre issue with the input that they make to us.

Mr BARBER — Is the advice from those industry advisory boards also something that I could pick up and read?

Mr CLARKE — The reports, again, are all on the website. They provide, on an annual basis, a document to us which is their sort of view of the world. It is a mixture of qualitative and quantitative input.

Mr BARBER — Another thing I would be interested in is the broad changes across skills or industry groupings. A lot of metal workers would say to me right now that their nightmare is to get sacked and have to go and work for hospitality, and I do not think too many people in hospitality would fancy being on an assembly line either. But if the economic changes that are occurring are that significant, do you think the necessary skills changes will change as much or will they stay broadly the same? Also, how much genuine crossover is there from people who completely change their skills base somewhere through their working life, as predicted by your econometric model?

Mr CLARKE — The work done on defining qualification outcomes, which I think goes to the first part of your question, is done at a national level by the industry skills councils. We do make input into that. But I think it would be fair to say that over time the description of qualifications does change to reflect the changing nature of work. That is what our VET qualifications are based on. They actually analyse what happens in the workplace and define it, describe it and try to then connect it to a sort of cognitive process, and all that sort of stuff. There can be debates about the efficacy of that. But the intention is to try to keep those qualifications as up to date as possible. At the national level there has been a lot of work done to try to facilitate the process, so you

do not get significant time lags, say, where they identify a change in a particular occupation, but it is five years before their qualifications change. That is what you have got to try to avoid. This is getting a little bit away from the work of the VSC, I have to say, and is more the VRQA, but anyway I will offer that broad summary of it.

On the second question about transferability, again in some areas those national qualification arrangements actually facilitate that very well, and there are common units between different qualifications and different training packages and industry packages; in other areas, less so. That can be a function of the technical nature of the work in the industry that this does not readily transfer comfortably across to other areas. But the model was certainly constructed to try to facilitate that. It is a modular model, it is flexible and it is designed to try to, one, recognise formally the skills people hold, but at the same time also to facilitate movement in the labour market as much as possible.

Mr KAVANAGH — I would also like to thank you for attending today and presenting to us. I would like to ask you what criteria can you use, apart from employment outcomes, to assess how well any of the institutions and their courses are fulfilling the functions that you are funding them for?

Mr CLARKE — The satisfaction results that were referred to there, depending to some extent on the size of the institute and the size of the programs being offered, do enable some assistance with particularly student satisfaction around the programs. But I would stress that employment outcomes are central to this. It is a vocational training system, and that is the critical point that we are trying to get people into employment.

Ms ALLEN — Just to add on that, it is also the role of the VRQA around the quality of the providers, and there are avenues for students to make formal submissions or complaints to that as well; there is a process if they are not satisfied with the quality of training.

Mr KAVANAGH — If you draw conclusions about the quality of the training offered by a particular institution or course, what consequences does that have for your funding?

Mr CLARKE — Again, you need to make a connection across to the Victorian Registration and Qualifications Authority, which is in fact the quality assurance body. If there was a problem picked up by it in terms of quality and we were funding that body, then the remedial action would probably be largely based on the size of the problem, but it could be anything from stopping the contract through to putting conditions in the contract that they had to address to continue to receive the funding.

Mr KAVANAGH — Okay. So that is for institutions that you are talking about that may be not satisfactory, but within those institutions that are satisfactory, some will be more satisfactory than others. Will there be any implications from that for funding for them?

Mr CLARKE — No, you have to rely on a measure of some sort, and at the moment the quality measure is around the registration process. If you are saying, for example, do we distinguish between TAFE institutes based on something we have heard about the quality of a particular course, the answer is no. However, a TAFE institute is registered in exactly the same way as a private provider. If there were an issue with that course raised by a student or somebody else, the VRQA would look at that. There are audit regimes and so on that can be discussed with them.

Mr KAVANAGH — Would not some system of rewarding institutions that are doing better than others with increased funding tend to help the quality of the training that is being provided throughout Victoria?

Mr CLARKE — That is not part of the funding model at the moment, no.

Mr KAVANAGH — In terms of assessing your own performance, what criteria do you use for that?

Mr CLARKE — Are you talking about the commission?

Mr KAVANAGH — Yes.

Mr CLARKE — The criteria really again comes back to the original question about the KPIs. Leaving aside the financial performance, which is a standard thing, the success or failure of the commission as the funding body is reflected in the outputs that are reported at the moment, and following that, discussion at the national level.

Ms ALLEN — From a commission membership point of view, the chair, from as early as the VLESC days, has had an annual review with each member of the commission about their own work in the last 12 months, and that gets put into a performance review of ourselves. It looks basically at what is working well about the meetings, where areas of improvement would be, and that is an annual process that feeds into our formal risk reporting session that we run.

Mr TEE — Thank you for your presentation and for taking the time today. Looking through the presentation I think what struck me was the success that you have had in attracting overseas students, and I was wondering if you can unpack that in terms of the reasons they come to Victoria to be educated here. I was wondering what the attractiveness is and what is working, essentially.

Ms ALLEN — I think it is Australia, broadly, and then Victoria, and I think particularly the TAFE institutes have gone out and actively marketed into those regions. They are high-quality providers and options. They are reasonably priced, we can provide fairly good accommodation and all those other things that are part of the experience of training, and there is the ongoing follow-up that they do overseas and training in Victoria. I think it is a combination of all of those things, plus the climate and everything else that can be attractive about coming to Victoria; but initially it is the work that TAFE institutes have done in promoting themselves.

Mr CLARKE — My only comment on top of that is that Victoria is probably the most significant player in terms of international education in Australia anyway. But in the TAFE area — and by that I am talking about the public provider in the VET sector — it is by far and away the biggest provider of international education for VET programs in Australia. In fact it accounts for well over 50 per cent of the activity that is provided. In part that is because we have a number of providers, but four or five in particular, who have very carefully entered into the international market. They have picked particular areas where they have chosen to pursue and have marketed themselves very successfully overseas as providers both within Melbourne but also in offshore operations; so it has been quite a systematic process on their part to enter that particular market.

Mr TEE — The other question goes to the issue around some of your capital initiatives. In my electorate we have the Box Hill Institute of TAFE. I am wondering if you are able to tell me how the nursing skills centre of excellence at that TAFE is progressing. I do not know whether someone here has the sense of it.

Mr CLARKE — In broad terms, I believe that site is now under construction and that facility will be built over the next year or so. There is a state contribution to that project of \$4.5 million, and a significant contribution from the institute's retained earnings as well. In addition to the \$4.5 million the state last year also provided initial funding for equipment to Box Hill specifically for that facility in the area of leading edge mannequins for nurse training, which are as good as anything in the world at the moment in that area of nurse training equipment.

Mr TEE — Finally, the issue of disadvantage was talked about earlier. I am particularly interested in Koori students. Do you have any initiatives or is that area within your bailiwick in terms of addressing or trying to increase the participation of Koori young people in the workforce via the work you are doing and via the TAFEs. Is that something you can elaborate on at all?

Mr CLARKE — There is a strategy, the Wurreker strategy, which has been in place now since 2001. That is a strategy which is an active process with the indigenous community through VAEAI, which is the indigenous education body in the state, to improve participation in that area. There have been various steps taken along the way that have facilitated that in terms of tuition fees and so on. Indigenous participation in VET in Victoria is strong — it is actually quite good — but obviously given the levels of disadvantage in that community, there is a need to continue that. Wurreker is under review and will be refined as a result of that process.

Ms ALLEN — I mentioned the local learning and employment networks being a key platform in that. Not within the role of the commission but certainly within education and early childhood development there are a number of different programs. I think there are three Koori workers being rolled out. I know that one of them is coming to my organisation to be attached to LLEN areas through education training. I think for our role it is the work we do with other departments, all heading to the same targets and the same direction.

Mr HALL — Each year we read in the newspapers that 15 000 Victorian students had qualifications but missed out on a university place. We do not hear that in vocational training. Are you aware of any qualified young people in Victoria who actually miss out on a TAFE place?

Mr CLARKE — It is not something you can do a comparison with, because there is not the specific entry form that there is for universities through the VTAC process. The ABS does surveys about every three years, I think it is. The most recent ones indicate that about 28 000 people across Australia tried to enrol in TAFE and could not get in.

Mr HALL — Because of qualifications or because of the unavailability of a program?

Mr CLARKE — It could be for any one of those reasons. The data — it is a technical issue — cannot be reliably then attributed down to state level. The sample is not big enough. Let us put aside statistical purity — 28 000 and we typically work on about a quarter of the population. So there will be some people out there who have sought to enrol and have not been able to get a place.

Mr HALL — What about those applications that go through VTAC — and some do — is there any evidence of students with the qualifications, those who are qualified to undertake a course, who miss out in applying through VTAC?

Mr CLARKE — Again, they might have missed out on a place through the VTAC process, but they could have then enrolled generally. TAFE is not a big user of the VTAC process at the moment. Some do — for example, hospitality programs; the advanced diploma at William Angliss certainly uses the VTAC process. Again whether the person who might have sought to enrol at William Angliss through VTAC could not then find a hospitality place at Holmesglen, for example, we cannot tell. We do not have their name, and we cannot match them to enrolments elsewhere. You would need to be cautious to draw too many conclusions in that area.

Mr HALL — In just over two months time there is going to be some changes in the fee structure for diploma and advanced diploma students. There has also been a signal by government that there will be the establishment of an income contingent loan system to assist some people meeting the cost of those increased fees. Has there been any economic modelling done to ascertain what revenues may be raised by increased fees, particularly for the diploma and advanced diploma, and then ultimately for other increased fees over the next few years?

Mr CLARKE — This question is again not really related to the commission. Those are questions of government policy. The commission has not done that analysis.

Mr HALL — I presume that the increased fees will have an impact on the funding delivered to the providers. In that regard one would have thought that the commission had some role in the economic modelling attached to those fee structures.

Mr CLARKE — No. The commission was consulted, but the modelling has been done by the government, and the result is government policy.

Mr HALL — Under a demand-driven system then, what impact will that have on your funding arrangements to providers? I ask the question. Basically you sit down on an annual basis now and work out a contractual arrangement with each provider to deliver a certain number of student contact numbers in certain areas. That is how it is done now. Under a demand-driven system, the implementation of which will start on 1 July and progressively — particularly in 2011 and 2012 — it is expected to become a fully demand-driven system, how will that change the funding negotiations which the commission need to undertake with providers?

Mr CLARKE — Again I must admit I thought we were on the period 2007–08.

The CHAIR — To the extent that you can answer this matter with respect to how it will impact on the operations of the commission; obviously if you are not able to take these questions now, we can adjourn and reconvene in the new financial year when we look at that period. If you are able to, you can answer that now.

Mr HALL — I ask the question simply for this reason — that is, you have got vision statements, where we want to go with training, and you have outlined those both in your annual report and also in the presentation today, and I think they are admirable vision statements and have no objections to those. I am just wondering

how it is all going to fit in with definite new funding arrangements and how it is going to work practically. I am keen to have some assurance — maybe you cannot give it to me today — that it is not going to actually impact on the number of people accessing vocational training in Victoria; hence the reason for the discussion.

Ms ALLEN — Do you want to take it on notice?

Mr CLARKE — No, I will make one thing clear. The contractual arrangements will be similar but slightly different because we will be moving to an arrangement where the providers, public and private, will be funded on the basis of actual delivery. That would mean, for example, that a TAFE institute which at the moment delivers beyond its contract yet received no benefit — it effectively reduces the price — will now be funded to receive payment for that additional delivery. So to that end there will be changes in the contractual arrangements and in the monitoring of the performance of the providers, public and private. That is true, and that will be the commission's contracts with them.

Mr HALL — Say, for example, a diploma student may now pay the maximum existing fee of \$877; from 1 July that will increase to \$1500. That fee, I presume, is retained by the institute, and the funding on top of that which you provide to the institute for that student is reflected by the size of the fee that that person pays. Consequently if they were paying a \$1500 fee instead of a \$877 fee, then the funding that you provide to the institute would be less than it was previously?

Mr CLARKE — Yes, but it is a total revenue situation.

Mr HALL — One thing providers will be required to do is set a fee for the full cost of certain programs from 1 July, because under another government change students undertaking a qualification at an equal or lesser level to what they currently hold will pay the full cost of those programs. I know that exemptions can be sought — I understand they can be sought — but if I, as a person who holds a higher education degree, wishes to study a certificate III in business studies at my local TAFE institute from 1 July, then that institute will now charge me the full cost of that program. Can you advise me whether the institutes have actually set those fees at this point in time?

Mr CLARKE — I do not know.

Mr TEE — Sorry, I am not just sure how it relates to the report that we are looking at or also even the work of the commission. We seem to be straying now into government policy and/or the decisions that individual TAFEs may or may not make.

The CHAIR — To the extent that Mr Clarke is in a position to advise whether this relates to the work of the commission — I am not in the position to make that judgement.

Mr HALL — As a bit of clarification, Mr Tee, I am not asking for comment about the government policy. I am asking about how the new funding arrangements will actually take place.

Mr TEE — Sorry, I thought the question was about what fees are being charged by individual TAFEs. I thought that was where the question was heading.

The CHAIR — To the extent that Mr Clarke is able to answer that from the commission's point of view — and I do not know if he is or not — if he can. If he cannot, then he will not.

Mr CLARKE — On that particular question, I cannot. The commission has not set the fee-for-service charge out for institutes; that is a question you have to ask each institute.

Mr HALL — To your knowledge, has the income contingent loan process been established?

Mr CLARKE — Again, it does not relate to the commission, but it is in the process of being established.

Mr HALL — A further question then is in regard to your funding arrangements or negotiations with providers for salary increases for staff just recently TAFE teachers received a 6.5 per cent salary increase, of which the government is going to fund 5 per cent of it, as I understand it, and the institutes themselves are going to pay 1.5 per cent of it. How do you therefore alter funding agreements to reflect the increased cost of salaries of staff?

Mr CLARKE — I do not think this is a question for the commission. That is a decision that will affect the commission's funding levels. It is not actually going to affect the commission per se.

Mr HALL — Your student contact hour rate therefore would reflect the component for salaries, I would think, perhaps not specifically but inbuilt into a student contact hour rate for funding your salaries. Have you been asked to increase that student contact hour rate as a result of the recent increase in salaries to TAFE teachers?

Mr CLARKE — It is not something that the commission deals with. It goes back before that to the funding levels to the commission.

The CHAIR — From government.

Mr HALL — Who sets the student contact hour rate then?

Mr CLARKE — In general terms we purchase hours against a budget. If we were to look over this reporting period — for example, at the start of the reporting period we do not say, 'You will be paid at X'; we say, 'For this particular institute we need a certain number of student contact hours. Here is the budget'. It is a weighted funding model that goes to the underlying costs between different programs, bearing in mind that some of them have significant costs other than labour associated with them, particularly equipment and other disposal items and so on. The actual student contact hour rate that is published relates to the end result — for example, most providers overdeliver to varying degrees. The actual dollar amount that comes out reflects both the contracted delivery plus the overdelivery. That can vary from year to year. I think in the last year — and, again, I need to be careful with the exact figures — there was about 6 or 7 per cent overdelivery from providers. You need to be very careful how you use that figure because it can be affected by the total output.

Mr HALL — Yes, I am well aware that it varies, as you said, across different study areas. But, for example, the \$6.15 per student contact hours is varied from year to year to accommodate and reflect change costs including salaries or whatever. All I want to know is does the skills commission negotiate with providers to establish that student contact hour rate, is it government direct or is it Skills Victoria, the organisation within the department?

Mr CLARKE — It is not something that specifically the commission does, no. The commission has established a policy behind the funding model which was based around the weighted training hour which is designed to reflect the relative costs of the different programs. But the commission is dependent on state and commonwealth governments for its revenue in the first place.

Mr HALL — Can I ask just another question about the presentation where we spoke about international students in VET, particularly the onshore numbers and the significant increases in 2007? That was on slide 27. Do we have any breakdown between the numbers of international students attending public-provided institutions as opposed to private providers?

Mr CLARKE — Sorry, I have not got them here. There is some analysis mainly undertaken by the commonwealth government because of its arrangements regarding the entry of students. I can check if we can get that data for you.

Mr HALL — So it is simply looking at the number of international students and how many of them attend TAFE institutes and how many go to private providers.

Mr CLARKE — Yes, as I have said, we will try and get some data, but we will have to get it from the commonwealth.

Mr HALL — In terms of your involvement in adult education, you mentioned the funding is passed through the ACFE board rather than directly through the skills commission. Does the ACFE board deal with neighbourhood houses as well? They are in a different department now, are they not? They are not in the same department. You may not be in a position to answer, but is there any impediment to coordinating training across Victoria because of the fact that neighbourhood houses are in a different government department? A number of them deliver accredited programs as well.

Mr CLARKE — No, it is not, because it is a contractual arrangement. So the ACFE board receives funding from the commission. The commonwealth contribution comes through the commission of the state if you strictly follow the lines of appropriation and goes directly to the ACFE board. But in either case because it is counted as part of the state's national effort, it is a contractual arrangement. The ACFE board is to deliver a certain number of hours and it in turn works with its providers to ensure those hours are delivered. To some degree, although perhaps not as tightly as we have with the TAFE institutes, they follow the industry priorities set in this as well, bearing in mind the nature of a lot of their delivery tends to be more generic foundations.

Ms ALLEN — Just to secure it, of course the chair of the ACFE board is a member of the commission. So that helps with communication and making sure they are all a part of the one sector.

Ms BROAD — Can I just venture the view as someone who has been in a position of having responsibility for delivering some of the funding that goes to neighbourhood houses, that as community organisations they, like most community organisations, receive and raise funding from a wide variety of sources. Whilst there is a state government department which is responsible for delivering a funding program to neighbourhood houses, they in fact derive funding from a very wide range of sources and have to be dealt with on that basis as independent community entities. But I was also interested in the work of the commission in relation to ACFE. The report refers to the role of the commission in relation to supporting and working with the ACFE board in support of one of the Victorian government's goals which is outlined in the report:

... making near-universal participation in post-compulsory school education and training the norm in our society, not only for the young but for all the community.

So I guess here we are going to the other end of the spectrum. I started out raising some matters to do with 15-to-19-year olds and some of the mature-age students who are not that much older accessing training and education through skills stores. But I am certainly very conscious that across the area I represent the access through a range of organisations including neighbourhood houses, University of the Third Age and many others besides, which is supported by ACFE, is vitally important to older members of the community. I was keen to hear from the commission in terms of what your assessment is of that work and that support which is being provided through the commission to ACFE and how you think that is performing in terms of the ability of older members of the community to access education through that mechanism.

Ms ALLEN — I will just start off and reiterate that of course it is a contractual arrangement through the commission to ACFE, but I think from my perspective it is about choice of provider and where you feel comfortable. For us it is about making sure we re-engage people in education and training. ACFE, through the neighbourhood houses, is a significant player for re-entry, particularly for people who are not in employment. We have high numbers of people in TAFE and private providers who are employed. ACFE certainly has a high proportion — I have not got the numbers — of people who are not in employment as an entry level back into employment. It is often underplayed as a very significant piece of the whole training system.

The CHAIR — Thank you. If there are no further questions from the committee, I thank all our witnesses from the Victorian Skills Commission and the Department of Innovation, Industry and Regional Development for attending this morning. It has been a very useful, worthwhile and informative session. We will have a draft transcript to you in the next couple of days for any corrections that you wish to make. On behalf of the committee I thank you all for attending and for your presentation.

Witnesses withdrew.

APPENDIX 3 – RESPONSE TO QUESTIONS TAKEN ON NOTICE

Questions on notice from the VSC hearing last week

- **(p. 10) The current Year 12 completion rate and how this compares over the past two years.**

In Victoria the 2008 Year 12 completion rate for persons aged 20-24 is 88.7%*, which has increased from 86.1 % in 2007 and 85.5% in 2006.

* The rate of completion is measured by the Australian Bureau of Statistics in its Survey of Education and Work. The rate has a 95 percent Confidence Interval (CI) of $\pm 2.3\%$. An outcome of 88.7% with a CI of $\pm 2.3\%$ means that if the total population were surveyed rather than a sample, there is a 95 percent chance that the result would lie between 86.4% and 91.0%.

(Information source: DEECD)

- **(p. 12) a breakdown of mature age students including the proportion who return for further training.**

There were 274,476 students aged 25-64 enrolling in the VET sector in 2007, of which 25.6% has a previous VET qualification*. The participation rate of the 25-64 cohort in the Victorian population is 9.1 %, when interstate and international students have been excluded from the calculation.

* VET qualification includes AQF Certificate 1 to 4, Diploma, Advanced Diploma and Associate Degree.

(Information source: Skills Victoria, DIIRD)

- **(p. 18) Data on the number of international students attending TAFE institutions compared to private providers.**

There were 57,183 course enrolments undertaken by international on-shore students in the VET sector in 2008, an increase of 49% from the year before. The majority these course enrolments were with the private providers. The private provider share has grown from 46% in 2002 to 79% in 2008 (84% nationally).

Number of course enrolments undertaken by international on-shore student in VET sector, by provider. type, 2006-2008

	2006	2007	2008	% Share in 2008	Growth 2007-08
<i>Vic</i>					
TAFE	8,010	10,517	11,874	21%	13%
Private providers	15,441	27,885	45,309	79%	62%
<i>Victoria total</i>	23,451	38,402	57,183	100%	49%
<i>Australia</i>					
TAFE					
Private providers					
<i>Australia total</i>	82,543	119,836	175,461	100%	46%

STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION
Report on Victorian Skills Commission's Performance 2007-08

Source: Australian Education International, Statistics December 2008, produced by the Commonwealth Department of Education, Employment and Workplace Relations

Note: AEI publishes its data in terms of number of course enrolments instead of number of students. A student attending two different courses in the same reference period (for example ELICOS and Bachelor Degree) will have both enrolments counted.

(Information source: DWEER)