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EMPLOYMENT, EDUCATION AND TRAINING
LEGISLATION COMMITTEE

**Reference: Vocational Education and Training Funding
Amendment Bill 1997**

TUESDAY, 5 AUGUST 1997

BY AUTHORITY OF THE SENATE
CANBERRA 1997

SENATE**Tuesday, 5 August 1997****EMPLOYMENT, EDUCATION AND TRAINING LEGISLATION COMMITTEE****Portfolio:** Employment, Education, Training and Youth Affairs**Members:** Senator Tierney (*Chair*), Senator Carr (*Deputy Chair*), Senators Crowley, Ferris, Stott Despoja and Troeth**Substitute member:** Senator Synon to substitute for Senator Troeth for the 1997-98 Budget estimates hearing on 4 June 1997.**Participating members:** Senators Abetz, Allison, Bolkus, Brown, Bob Collins, Colston, Cooney, Evans, Forshaw, Harradine, Hogg, Mackay, Margetts, Murphy, O'Brien and Synon**The committee met at 10.04 a.m.**

Matter referred by the Senate:

Vocational Education and Training Funding Amendment Bill 1997.

GREER, Mr Anthony John, First Assistant Secretary, Vocational Education and Training Division, Department of Employment, Education, Training and Youth Affairs, GPO Box 9880, Canberra, Australian Capital Territory**MANNIS, Mr Roderick Glen, Acting Assistant Secretary, Vocational Education and Training Reform Branch, Department of Employment, Education, Training and Youth Affairs, GPO Box 9880, Canberra, Australian Capital Territory****CHAIR**—I declare open this public meeting of the Senate Employment, Education and Training Legislation Committee. Today's hearing in Canberra is on the Vocational Education and Training Funding Amendment Bill 1997.

I welcome the witnesses from the Department of Employment, Education, Training and Youth Affairs. The committee prefers evidence to be given in public, but if at any time you wish to give any evidence, part of evidence or answers to any questions in camera, you may make a request and the committee will consider that request. However, such evidence may subsequently be made public by order of the Senate. The committee has before it the bill, explanatory memorandum and second reading speech, which you may assume we have read. Is there any other material which you wish to add at this stage?

Mr Greer—Just an introductory comment, if we could.**CHAIR**—You are welcome to do that and then we will go to questions.**Mr Greer**—The Vocational Education and Training Funding Act 1992 appropriates Commonwealth funds to the Australian National Training Authority for allocation among the states and territories. Funds are appropriated for calendar years on a rolling triennial basis. Funds for general recurrent and capital purposes are appropriated under section 9 of the act and, since 1995, supplementary conditional funding to support off-the-job training for traineeships has been appropriated under section 9A. An amendment to the act is normally introduced each year to supplement the previously legislated funding for the current year in

accordance with price movements and to give effect to Commonwealth budget decisions in relation to future funding.

The Vocational Education and Training Funding Amendment Bill 1997 gives effect to the government's decisions in the 1997-98 budget where the government announced a reduction of \$20 million in funding to the states and territories in 1998. The bill gives effect to this decision by proposing an appropriation of \$890.585 million in the calendar year 1998. This includes an amount of \$21.546 million in conditional funding for traineeship off-the-job training. The bill would appropriate the same total level of funding, including the supplementary traineeship funding for 1999. The amounts may be subject to subsequent supplementation for price movements.

The government has stated the rationale for the budget measure in the budget papers and in the minister's second reading speech to the bill. The budget measure provides an incentive to the states and territories to achieve efficiency gains in vocational education and training operations.

As noted in the minister's second reading speech, at the meeting of the Australian National Training Authority Ministerial Council on 23 May 1997, all state and territory ministers supported a resolution noting that the reform of the vocational education and training sector agreed at the meeting has the potential to improve efficiency and effectiveness in the provision of vocational education and training. At that meeting, ministers agreed on the basis for allocating funds between the states and territories in 1998 and agreed that, in negotiating vocational education and training plans for 1998, the Australian National Training Authority would agree bilaterally with each state and territory on its activity levels for 1998, having regard to that state and territory's scope to achieve efficiency gains and to the agreements reached by the ministerial council on priorities. The ministerial council will agree the final allocation of funds at its meeting in November 1997.

CHAIR—Thank you. Mr Manns, do you wish to add anything at all?

Mr Manns—No, thank you.

Senator CARR—Thank you very much, gentlemen, for coming along today. You have indicated that there is a \$20 million cut as a result of the budget measures that were announced this year. Can you refresh my memory as to what the efficiency dividend was last year?

Mr Manns—There was a five per cent efficiency dividend applied to all SPPs and—

Senator CARR—About \$172 million was the effect of that?

Mr Manns—You are speaking about possible effects on forward estimates as they then stood?

Senator CARR—Yes.

Mr Manns—I do not have those figures in front of me, but the net effect of course was that funding for calendar 1997 was in fact an increase over the final funding for 1996.

Senator CARR—Yes, I understand that. But the budget measure itself, over the forward estimates period, of a five per cent efficiency dividend had the effect of reducing the vocational education training budget by funds otherwise allocated in the order of \$172 million.

Mr Manns—In funds that might otherwise have been appropriated if they had not—

Senator CARR—That is right. If there had been no policy change, there would in fact be something like another \$172 million in the budget throughout the forward estimates period.

Mr Manns—I would have to check the exact number for you.

Senator CARR—I have seen some conflicting numbers on this and that is why I am always interested to get it right. In answer to the questions I asked you last year at estimates—questions Nos 9 and 10—the figure of \$137 million was produced for the vocational education and training division. Obviously, that has a number of different components and presumably it would include budget measures that would increase expenditure as well as decrease expenditure. Is the figure of \$137 million familiar to you?

Mr Manns—We can confirm that figure for you.

Senator CARR—Thank you very much. While we are there, the \$20 million announced for this year has, over the next forward estimates period, the effect of accumulating to the sum of \$72 million, doesn't it?

Mr Manns—It is a one-off, if you like, permanent reduction in calendar 1998 which flows into the subsequent years.

Senator CARR—But it reduces the base for future indexation purposes, does it not?

Mr Manns—It provides the same base in 1999 as it appropriates for 1998.

Senator CARR—Yes. But otherwise, in normal circumstances, if there had been no policy change presumably there would be an additional \$72 million otherwise appropriated. Would that be a fair characterisation?

Mr Manns—It is speculative in one sense to speak in those terms.

Senator CARR—Yes. As I read the budget papers themselves, they suggested to me that the effect of benchmarking VET grants to the states was minus \$10 million for 1997-98; minus \$20.3 million for 1998-99; \$20.7 million for 1999-2000 and minus \$21 million—

Mr Manns—That is correct.

Senator CARR—That is where I get the figure of \$72 million from.

Mr Manns—Yes.

Senator CARR—It is somewhat misleading to suggest that there is a cut of just \$20 million. It is much greater than that, isn't it, if you look at the forward estimates period?

Mr Manns—As I have explained, it is a one-off permanent reduction rather than in some senses a cumulative reduction. There has perhaps been some misunderstanding around budget time that—

Senator CARR—But the effect of budget measures on budget outlays between 1997 and 2001 is \$72 million with regard to benchmarking VET grants to the states, is it not?

Mr Manns—That is the amount disclosed in the budget papers, yes.

Senator CARR—Yes. Has there been a decision made to cease to the states the growth funding that the previous Labor government had as part of its budgetary processes?

Mr Manns—That decision was taken in last year's budget, in effect, and there was the final instalment of funding, if you like, appropriated under last year's version of this bill for calendar 1997. No growth funding was appropriated for calendar 1998 in last year's bill.

Senator CARR—Can we in fact add that to this \$137 million, or is that subsumed within that figure? I am trying to get a fix on what the total size of the budget is and what it otherwise would be, had there been no policy changes. Can you give me an answer to that?

Mr Manns—In one sense, the question of growth funding was an annual decision.

Senator CARR—Yes.

Mr Manns—It is a moot point as to whether a decision not to provide growth funding is a policy change or simply a decision not, if you like, to carry on with the previous policy.

Senator CARR—The point I am trying to get to is this: did the figure you provided me with in previous answers—\$137 million, which is the first efficiency dividend—include a calculation for the cessation of growth funding?

Mr Manns—No, I do not believe it did.

Senator CARR—How much was that growth funding in the last year it was appropriated?

Mr Manns—The annual increment was \$70 million.

Senator CARR—So the decision not to continue with the growth funding—

Mr Manns—I would put it in terms of the decision not to provide growth funding, as there had been no—

Senator CARR—Okay. I can understand your point of view but I am trying to be clear about this. We have three sets of figures in terms of the moneys that you would have expected to be there but that are no longer within the budget parameters. There is a figure of \$137 million, as the result of efficiency dividends announced in last year's budget. There is a figure of \$72 million as a result of this year's budget and there is a figure of \$70 million which you could put beside the fact that the government is no longer providing growth funds. Would those three figures sound reasonable to you?

Mr Manns—As I have said, the position you have put in relation to the cessation of growth funding or the non-provision of growth funding can be looked at in a number of ways. My understanding is that that was an annual budgetary decision that in last year's budget—if you like, putting it somewhat obscurely—was not taken.

Senator CARR—There was no decision by the previous decision not to pay that. In fact, was there not a commitment to maintain the growth funding?

Mr Manns—To the extent that it had been legislated, yes.

Senator CARR—But was there a decision of government to maintain that funding?

Mr Manns—I am not aware of there being—

Senator CARR—Was there any announcement to that effect?

Mr Manns—any particular decision to maintain that funding ad infinitum.

Senator CARR—All right. We will come to that later in the hearings today, because I think you will find that that is actually written into the ANTA act.

Mr Manns—There certainly is a commitment in the ANTA agreement to provide growth funding on a continuing basis. The agreement, of course, is included as a schedule to the act. It does not have legislative force in its entirety. But that commitment is not quantified in the agreement.

Senator CARR—But the commitment to growth funding was there in the schedule to the act.

Mr Manns—In the ANTA agreement, yes.

Senator CARR—I am putting it to you that these budget estimates we have before us are \$272 million less than would have been the case if there had not been policy changes.

Mr Manns—I simply cannot speculate on some of that.

Senator CARR—I am just putting it. It is clearly a point that you are not—

Mr Manns—I understand the point you are making.

Senator CARR—I want to be clear in my own mind as to how those figures have come about. I would say there are \$272 million less there. What are the activity levels like now? Have they improved in recent years?

Mr Manns—There has been continued growth in activity levels. In calendar 1997, the year that we are currently in, the estimate of ANTA as disclosed in its report last November to the ministerial council was for growth in the order of 55,000 student places. The estimate was that approximately 43,000 of those places could be sourced to Commonwealth funding.

Senator CARR—That Commonwealth indexation is geared to that 43,000, is it?

Mr Manns—The growth funding is, more so than indexation. There was growth funding provided in the current year, calendar year 1997.

Senator CARR—That is right. But it will not be from here on in?

Mr Manns—There is none provided in calendar 1998.

Senator CARR—That is my point. So we are likely to see growth rates of what? What do you anticipate?

Mr Manns—This again will be, as was the case last year, a matter for negotiation between ANTA and the states and territories in the processes that we now call 'VET plans', which is the new name, if you like, for state training profiles. That series of negotiations for calendar 1998 is only just beginning, I understand.

Senator CARR—Only just beginning. What was the activity growth last year?

Mr Manns—The estimate as at last November was a total of 55,000 additional student places.

Senator CARR—And for the previous year?

Mr Manns—It was of the same order—40,000 to 50,000. I do not have the number here with me today.

Senator CARR—What sort of percentage is that, do you think?

Mr Manns—I could work it out quickly for you.

Senator CARR—Yes. I have just seen some figures that suggest to me that the number of clients undertaking vocational programs provided by TAFE and other government providers grew by five per cent between 1994 and 1995 and a further two per cent between 1995 and 1996. Would you think that was a reasonable estimate?

Mr Manns—If you were to tell me the source of those figures—

Senator CARR—It was the National Centre for Vocational Education Research.

Mr Manns—That would sound like a reasonable estimate, then.

Senator CARR—What then do you see as the future growth rates? What are the department's projections on the growth rates?

Mr Manns—We do not have a projection.

Senator CARR—You don't know?

Mr Manns—As I say, there will be a bilateral process of ANTA discussing it with the states and territories.

Senator CARR—I understand the technical responses you are putting to me. Are you telling me that nowhere within the Department of Employment, Education, Training and Youth Affairs is there a projection on the growth rates, the activity rates, for the VET sector?

Mr Manns—There are a range of scenarios, as you know, that have been produced in reports such as the KPMG report. There are many factors which impact upon what will ultimately happen on the ground next year. We are informed by those various scenarios but we have not ourselves produced any particular projection for next year.

Senator CARR—You did actually provide the KPMG consultancy team with projections, didn't you? My recollection is that that was the case. Is that the case?

Mr Greer—Can you source that, Senator?

Senator CARR—Yes, I can. I thought ANTA provided figures. You do not have access to those; is that what you are saying?

Mr Manns—ANTA, I believe, did provide KPMG with some early work that ANTA had done in relation to apprenticeship and traineeship numbers. I am not aware of the department having provided any particular projections.

Senator CARR—I find that extraordinary. You have no access to an independent forecasting unit within the resources of the department. You rely on ANTA or Netforce; is that what you are trying to say to me?

Mr Manns—I simply made the point that we have not produced ourselves what you have described as projections for enrolments in 1998.

Senator CARR—How does the government know what the likely demand is for VET services?

Mr Manns—We are informed by the work that ANTA does in this regard and the collaborative national work, for example, through the KPMG type studies.

Senator CARR—So you have to get a consultant in.

Mr Manns—That is not what I said.

Senator CARR—I am having trouble following this. You are saying that you are relying on the state training authorities, consultants and ANTA. That is what you have said to me, is it not?

Mr Manns—I said that we are informed by those various processes, yes.

Senator CARR—So how do you assess the adequacy of those processes?

Mr Manns—We bring to bear what we know of past patterns, what we know of the future likely factors that might be affecting demand.

Senator CARR—What you are saying to me is that you really do not have a clue. You are relying on past practices and what the states are telling you. If I recall rightly, those variations were substantial. How do we know, for instance, on the KPMG analysis which one of these assessments is in fact correct—the step growth scenario, the state training authority projections or any of the others? How do you know which one of those is correct?

Mr Manns—We can simply bring informed judgment to bear on them. They are predictive scenarios. For example, I do not believe that there is any support for the highest possible scenario that the KPMG report suggests on the basis of our collective experience of what has happened in the past and what are the likely drivers for growth in apprenticeships and traineeships in the short-term period ahead.

Senator CARR—So it is guesswork.

Mr Manns—It is informed judgment.

Senator CARR—In relation to the report *Estimated costs of government funded apprenticeships and traineeships: 1992-2000*, which is referred to in the KPMG report, can I have a copy of that?

Mr Manns—Of the KPMG report?

Senator CARR—No, I have a copy of the KPMG report. Can I have a copy of the source document, *Estimated costs of government funded apprenticeships and traineeships: 1992-2000*?

Mr Greer—Was that a departmental document?

Senator CARR—I understood it was circulated to all training authorities by ANTA. Page 61 of the KPMG report says:

ANTA (November 1996) "Estimated costs of government funded apprenticeships and traineeships: 1992-2000. Data sources and assumptions". Paper prepared for ANTA Board Advisory Committee on MAATS and circulated to all State/Territory Training Authorities.

Would you provide me with a copy of that?

Mr Greer—We will make it available.

Senator CARR—Thank you very much. It strikes me that you are saying that the scenarios and the various models developed by ANTA have been without any reference to the department. You are given these assessments; they are not done in a collaborative way? What is the mechanism?

Mr Manns—There were, as I think the report itself suggests, discussions not only with the department but also with state training agencies in the course of the work KPMG did.

Senator CARR—So there were discussions. What was the nature of those discussions?

CHAIR—Senator Carr, wouldn't this stuff on KPMG perhaps be more appropriate for estimates?

Senator CARR—No, it is not. If you were listening and not talking, Mr Chairman, you might understand it.

CHAIR—Ask some interesting questions and we might listen.

Senator CARR—What was the nature of those discussions between ANTA and DEETYA—

CHAIR—You have the chance at estimates, Senator Carr, to go into this. Could we come back to the bill?

Senator CARR—to determine the level of projected demand that ANTA was putting into their base model?

Mr Manns—We were speaking about the process for KPMG to produce their report rather than ANTA's own work.

Senator CARR—I will rephrase the question. Were there discussions between DEETYA and ANTA before ANTA produced its base model on demand for future traineeships?

Mr Manns—In the document that you have asked for a copy of?

Senator CARR—Yes.

Mr Manns—I am afraid I cannot answer that. I was not in the division at the time.

Senator CARR—As I read it, the government's funding arrangements for the VET sector are predicated upon a number of assumptions. One of them is the level of demand. Would that be a fair statement? Would you agree with that statement?

Mr Manns—A broad judgment about the level of demand, yes.

Senator CARR—What I am interested to know is how your department and the government have determined what the level of demand is. I am trying to establish how adequate that process is in determining the question of adequacy of funding. Can you enlighten me?

Mr Manns—In broad terms, the assumption is that growth of roughly the same order as has been experienced in the last span of years might be what we could expect in the immediate future, and the government has taken a decision that that growth should and can be funded through efficiency gains made within the sector.

Senator CARR—I understand the point that has been made on that matter. At a previous estimates hearing, Mr Ruby indicated that he thought that the new apprenticeship system could be funded on a do-able basis at a two per cent saving per year. He made that point to us at the Senate estimates on 3 June 1996. As I read it, that is a saving of approximately \$50 million a year. Is that the Commonwealth's intention as we move into the new ANTA agreement?

Mr Manns—To make further savings?

Senator CARR—Yes.

Mr Manns—No. The Commonwealth minister, Dr Kemp, has written to all state and territory ministers, making an offer to enter into a new ANTA agreement on the basis of a real terms funding guarantee for five years.

Senator CARR—That is at this base level?

Mr Manns—That is at the level of funding that is represented in this bill before the committee.

Senator CARR—Which, as I say, is perhaps as much as \$272 million less than it might otherwise have been? Which is probably closer to a six per cent saving over the forward estimates period—on the previous estimates.

Mr Manns—The minister's offer is, in effect, to say that there will be no further savings.

Senator CARR—No further cuts; I understand that. But we have built from this very base level. The question I am raising is: is it not the case that you are expecting there to be a greater level of activity with the same level of Commonwealth funding?

Mr Manns—Yes.

Senator CARR—Is that on the basis that you expect the states to reduce the unit cost for that activity?

Mr Manns—It is in the expectation that the states will achieve efficiencies. Potentially, there are more ways than one to achieve efficiencies than simply reducing the direct unit costs of delivery.

Senator CARR—But is that one of the options that is open to you? Is that one of the questions that the Commonwealth is exploring?

Mr Manns—The discussions with the states about how they would propose to go about achieving efficiencies and the quantification of those efficiencies have not begun at this stage. We have not sought to tell the states how to go about achieving the efficiencies.

Senator CARR—They have just got to find \$300 million a year?

Mr Manns—I do not wish to respond to—

Senator CARR—That is the figure that Dr Kemp has used—\$300 million a year.

Mr Manns—We have not sought to quantify—

Senator CARR—I thought that ANTA had done special studies on this question and had resolved that the states could save \$300 million a year.

Mr Manns—The Commonwealth has not put a figure on the potential savings.

Senator CARR—I will come back to that, because I have seen so many references to the \$300 million a year—and those references being associated with what I believed were Commonwealth spokespersons—and, in fact, a study undertaken by ANTA that productivity savings of that order could be found.

Mr Manns—ANTA certainly—

Senator CARR—ANTA has made no judgment on that matter?

Mr Manns—In the November report, for example, which went to ministers last year, ANTA did make a statement. It was a what-if statement, if you like. I believe you have a copy of that report. It is the resource allocation report for 1997.

Senator CARR—What page is that, please?

Mr Manns—It is on page 18. ANTA has done some hypothetical calculations there and put those into the public arena in, as I say, a hypothetical and indicative sense, if you like, rather than in any sense as an expectation or a target.

Senator CARR—However, what do you believe would be the level of savings that could be achieved by the states?

Mr Manns—We have not sought to quantify that ourselves, as I have said.

Senator CARR—I will come back to that matter.

Mr Manns—Although I should add that it is clear that it is the Commonwealth's expectation that at least sufficient efficiencies can be made to accommodate the reduction in funding in 1998 and provide additional student places.

Senator CARR—I will come back to that, because I will find the particular statement in due course. Is it the case that you are expecting that there will be productivity savings as a result of changing the balance between one- and two-year traineeships?

Mr Manns—Not explicitly, no.

Senator CARR—But is it not the case that, in your projections, you are expecting there to be a change in the way in which services are delivered in terms of, firstly, private providers and, secondly, in the nature of the services being provided? Is it the case that the New Apprenticeships will place greater emphasis on one- and two-year programs?

Mr Greer—The New Apprenticeships are really focused on the competency outcomes, AQF2s and AQF3s, as we move from a time based system to a competency system. Certainly, the traditional apprenticeships in traditional trades areas, through a time based regime, required apprentices to continue in those training arrangements, irrespective necessarily of competency achievement. So, consistent with the shift to a competency model, it may be the fact that AQF3s, which are the equivalent of existing time served apprenticeships, can be achieved in a shorter duration.

Senator CARR—That could be the case. In fact, in all the scenarios that I have seen in this report, there seems to be a very strong emphasis on trainees undertaking shorter duration

programs; that is, one- and two-year programs. Is that a fair conclusion to draw from the scenarios that have been produced?

Mr Greer—I think the scenarios—without having them in front of me—would reflect the qualification outcome more than the duration.

Senator CARR—Yes, that is right. So is it part of the government's thinking that they can, in fact, meet the higher levels of demand with the same levels of money by reducing the amount of training that is available to individuals?

Mr Manns—No; there certainly is no policy decision along those lines. A number of the scenarios have been informed by where the growth has actually occurred in traineeships, particularly in recent times. They are simply projected on that basis. It is not in any sense a decision about where the future emphasis should lie.

Senator CARR—Yes. The net effect is that the traditional apprenticeship will remain relatively stable, if not decline, over the next few years: is that the case?

Mr Greer—We would expect that the opportunities in those traditional areas may not be as opportunistic as opportunities in new industries, particularly new service industries. The new service industries should, in fact, be the drivers of growth in this area.

Senator CARR—Yes, that is right. What do you think the growth rate will be for apprenticeships of a traditional type? By that I mean a three- or a four-year apprenticeship. As I understand it, the normal arrangement was that that would involve something like 280 hours of training per year over a three-year period. What sort of growth rate will we see in those types of apprenticeships?

Mr Greer—I do not think that our estimations go to that level of specificity. We are looking at where we may have seen growth at the qualifications level—the numbers of AQF2s and the numbers of AQF3s. Certainly we have made budget provision on that mix more than on whether they are traditional apprenticeships or New Apprenticeships.

Senator CARR—Yes, I understand the point, but this is very much at the heart of the whole question of how far this money goes and what it is being used for. I put it to you that there has been a decline of about 0.5 per cent in the past 20 years in traditional apprenticeships and that we are not going to see the growth reversed under these new apprenticeship arrangements. In fact, we are going to see an increasing number of people involved in the VETs sector on programs of one- and two-year durations. Is that correct?

Mr Greer—Certainly there has been a decline in the numbers of apprenticeships as we know them. My understanding—without having the detail in front of me—is that, from a peak of about 62,000 commencements and recommencements in 1989-90, numbers fell away dramatically in the recession in the early 1990s. Commencements and recommencements have climbed back and plateaued at about 48,000. My understanding is that the NCVET suggest that their final outcome figures for 1995-96 will be of the order of about 48,000 commencements and recommencements. There is that decline. On the other hand, there has been a significant increase over that period in the take-up of traineeships in their various forms.

Senator CARR—That is right.

Mr Greer—Over that period, the ATS, the career start traineeships and the national training wage traineeships have increased from about 13,000 to currently beyond 50,000.

Senator CARR—Most of the one-year AQF certificate 2 awards are of about 390 hours per year. In fact, some of them drop to as low as 280 hours or 320 hours per annum, which compares with 288 hours per annum over the period of three years for a traditional

apprenticeship. In the past, people were qualified for a whole range of skills right across an industry, whereas now people are being trained only for specific specialised areas in any particular industry. Is that true?

Mr Greer—I would not suggest that that is the case in the broad sweep of industries. That may be the case in particular industries, but I do not think it is as a generalisation necessarily the case.

Senator CARR—I am putting to you that what we are seeing before us here is a bill which will lead to a massive deskilling of the work force because of the reduction in the number of hours provided per individual and the type of training that is provided. How do you refute that suggestion?

Mr Greer—The new apprenticeship system, I think as the budget documentation shows, is providing increased opportunities to acquire portable skills at AQF levels 1, 2, 3, 4, 5, et cetera. A traditional apprenticeship under a time served regime with an AQF 3 outcome took four years. A new apprenticeship opportunity with an industry recognised portable AQF 3 outcome can take two years or 18 months. There are different paradigms.

Senator CARR—How is it possible to obtain an equivalent qualification in two-thirds or one-third of the time? That is the proposition you are trying to put to me now.

Mr Manns—Part of the answer to that question is that there are more flexible arrangements being introduced through training packages and through new industrial relations arrangements as well that vary the mix of training time and work time.

Senator CARR—We will get to that next. I am trying to hear how a tradesman or tradeswoman, who would have previously gone through a four-year program, will produce equivalent levels of skill with one-third of that training.

Mr Greer—I think some of the criticism over the years about the time served system has been that there was a capacity for trainees or apprentices to acquire the skills far sooner than the full four-year period. I think that is reflected in the inherent flexibilities in the new arrangements—not only the new arrangements for new apprentices, but some of the arrangements are more flexible arrangements upon which the new apprenticeship regime has been built.

Senator CARR—What research base do you have for that assertion?

Mr Greer—There has been considerable criticism through research—surveys et cetera—of the inflexibilities of the time served system.

Senator CARR—What research base has this government undertaken to support the claims it is making about its new apprenticeship scheme that it can reduce these levels of traineeship and produce the same or a better result? What research base do you have, Mr Greer—which is what you have been telling the committee?

Mr Greer—I would need to look at what available research there has been that we have built on.

Senator CARR—Could you please provide me with all of that research?

Mr Greer—Certainly.

Senator CARR—I hesitate to ask a department to provide all documents on some of these matters because usually the volume is such that you never wade through them, but I would hazard a guess here that this will be fairly scant. You have also indicated to us that you have no independent capacity to determine the level of demand.

Mr Greer—I do not think we said that.

Senator CARR—Well, please inform me what your capacity is to determine the level of demand.

Mr Greer—We do have in the department, as you may be aware, a highly effective evaluation and research capacity.

Senator CARR—So what, then, is the government's level of demand projections for the forward estimates period?

Mr Greer—For specifically what?

Senator CARR—For traineeships—the likely uptake of a trainee—and activity in the VET sector more broadly.

Mr Greer—I think Mr Manns commented on the activity in the VET sector more broadly in an earlier response. Specifically in relation to the demand for traineeship and apprenticeship or new apprenticeship opportunities, I think we have indicated in the Senate estimates context that there is budget provision for some 107,000 commencements in 1997-98, increasing to a budget provision of about 117,000 commencements in the out-years.

Senator CARR—What, then, is the VET sector's likely level of demand in the out-years? You say that you can give me an estimate on traineeship demand.

Mr Manns—In answer to an earlier question I made the comment that in broad terms growth of about the same order of magnitude that has applied in recent years. You will be aware, I am sure, that the concept of demand for vocational education and training is not a straightforward question. It is not about just student preferences or anything of that order. It is a complex situation, and it requires judgements about what the likely drivers for demand are.

Senator CARR—You would understand that there is a pretty fundamental question as to the level of money provided.

Mr Manns—It certainly does go to that issue. But, as I have said in an earlier answer, the expectation of the government is that the efficiency gains that the system can make ought to be sufficient to meet the demand in the foreseeable period.

Senator CARR—Just last month the minister put out a statement that 60,000 persons were not able to get a place in TAFE last year. How does he know that?

Mr Manns—I believe that that figure was sourced from the ABS surveys. My understanding is that a proportion of that number were people unable to get a place because they did not meet the entry requirements of one type or another.

Senator CARR—There will always be that percentage.

Mr Manns—I believe the situation is that that accounts for maybe one-third. The trend, as I understand it, has been declining. Although there is no survey data yet, the expectation is that the level for next year might be somewhere around 40,000.

Senator CARR—Does that include these figures? You are saying that you are funding an additional 43,000 spots, but that 40,000 will not be able to get a place.

Mr Manns—No; I am saying that that might be the trend among demand, if the provision of places is at about the same level.

Senator CARR—I draw to your attention the ABS figures that you have relied on. The National Centre for Vocational Education Research has suggested to us that there has been

an unmet demand in VET of some 8.3 per cent of placement seekers in recent years. It compares, for instance, with 3.1 per cent for the higher education sector. You see that those figures will decline: is that the proposition you are putting?

Mr Manns—My understanding is that, as the system has grown, that level of unmet demand has been moderating somewhat. I do not have the figures here with me.

Senator CARR—Could you please provide the committee with those figures? I note that there has been growth of six per cent between 1995 and 1996. That is what has been claimed by the statistics that I have in front of me. They suggest to me that, in the 15 to 19 age group, 9.2 per cent of persons were not able to get a spot last year. Given that the government is now seeking to abolish the dole for those persons, will there not be an even greater level of demand placed upon TAFE and the VET sector generally?

Mr Manns—I cannot say that definitively. There would appear to be the potential for some of those young people to seek places in the vocational education and training system. In part, the issue is what sorts of places they may seek to obtain, being early school leavers. Some of them may seek apprenticeships and traineeships, for example.

Senator CARR—That is the point, on the question of demand. The states are claiming that there could be 150,000 more students in colleges, which already cannot meet the demand, on the figures you have provided. For instance, I notice that Mr Honeywood in Victoria is claiming that 150,000 more students will be seeking entry. He says that it is estimated that in Victoria 40,000 young people could qualify for the Commonwealth's youth allowance if they enrol in TAFE, and that this would cost the state an additional \$70 million per year. Would you like to comment on those claims?

Mr Manns—I do not want to make any comment about Minister Honeywood's views specifically. But it seems to me that it is not a sustainable proposition that all of the young people who may be affected by the changes to youth allowance would seek a position in the VET sector—which appears to be Mr Honeywood's assumption.

Senator CARR—How many persons does the government expect will be forced off the dole and will end up in the VET sector?

Mr Manns—I am not aware of the government having made any detailed projection of that.

Senator CARR—So we do not know?

Mr Manns—I suppose we have a view on the matter; that is, probably the majority of those young people will seek to remain in school or go back to school. A minority would be seeking positions in the VET sector. I would have thought the numbers are likely to be relatively small.

Senator CARR—What sort of figure: 10,000, 20,000 or 30,000?

Mr Manns—I do not wish to speculate on it, Senator.

Senator CARR—There was an 8.3 per cent unmet demand figure last year, and you are saying that that will be reduced. There does not appear to be additional moneys. In fact, there appears to be \$272 million less than otherwise would be the case. There is a greater number of students coming on to the system, and you are introducing a new apprenticeship scheme. I am wondering how all those things add up.

Mr Manns—I think the government's position is clear: there needs to be continued growth in the vocational education and training system. The government's decision is that that growth can and should be funded—

Senator CARR—By the states.

Mr Manns—by increased efficiencies in the use of both Commonwealth and state funds in the delivery system.

Senator CARR—But there are no additional resources coming into the sector from Commonwealth sources from this base year?

Mr Manns—There has been no decision to provide any additional funds.

Senator CARR—Is the Commonwealth seeking an additional 500,000 places over the next four years?

Mr Manns—I am aware of Dr Kemp having made a statement about that level of additional places being possible. There has been no demand, if you like, placed on the states to deliver that particular level.

Senator CARR—That is your target figure?

Mr Manns—No, it is not a target in that sense. As I explained earlier, the process that has been agreed to with the states and territories for 1998 is a bilateral process, with ANTA negotiating activity levels and having regard to the particular circumstances of individual states and territories.

Senator CARR—In what appears to be an article in the *Age* on 9 June, it is revealed that Dr Kemp had offered the money which, to quote him directly ‘equated to up to 500,000 extra TAFE places over five years in return for the overhaul of the state run system’. That was not a concrete proposal to actually see an additional 500,000 places in the system.

Mr Manns—I am not purporting to speak on behalf of the minister or on what was in the minister’s mind. I am simply saying what the agreed arrangement is for 1998, which is to have a series of bilateral discussions with the states and that, in that process, no particular targets—if you would like to call them that—have been set.

Senator CARR—I take it that you are coming back this afternoon to respond?

Mr Manns—We are staying for the duration.

CHAIR—Are there any further questions?

Senator CARR—I have got further questions, but we will come back to those this afternoon.

CHAIR—I thank the officers for appearing this morning.

[11.06 a.m.]

BURROW, Ms Sharan, Federal President, Australian Education Union, 120 Clarendon Street, South Melbourne

HEWETT, Mr Rex, Federal TAFE Secretary, Australian Education Union, 120 Clarendon Street, South Melbourne

NEWCOMBE, Ms Jennifer Mary, Federal TAFE/Research Officer, Australian Education Union, 120 Clarendon Street, South Melbourne

NICHOLLS, Ms Jane Elizabeth, National Research Officer, National Tertiary Education Union, PO Box 1323, South Melbourne

CHAIR—I welcome the witnesses from the Australian Education Union and the National Tertiary Education Union. As Ms Burrow is contributing via audio conference, I remind members of the committee to state your names prior to putting questions to the witnesses. The committee prefers evidence to be given in public, but if at any stage you wish to give any evidence, part of evidence or answers to questions in camera, you may make the request and the committee will consider the request. Such evidence may subsequently be made public by

order of the Senate. The committee has before it document Nos 6 and 7, which you may assume we have read. You are welcome to make some brief introductory remarks, then we will go to questions.

Mr Hewett—The Australian Education Union has made a written submission to this public inquiry. In the executive summary on pages 2 and 3 of that submission, we outline the main points of the full submission. I would like to open by raising the issue, since this bill relates to the issue of funding for the vocational education and training sector, of a preliminary question raised in the submission as to whether or not the bill, if it were to be carried by the parliament, would breach the Australian National Training Authority legislation carried by the parliament in December 1992. I would like to table a copy of that act for consideration by this committee, as I will be referring to it.

As the committee will be aware, by agreement between the states and the Commonwealth the ANTA Act was enacted in 1992. It provided obligations both on the states and territories of this Commonwealth and on the Commonwealth government in relation to the provision of funding for vocational education and training. The act was the result of a cooperative settlement of issues prior to 1992 that had arisen in relation to funding of the vocational education and training sector. Attached to the act is a schedule which outlines the objectives of the Australian National Training Authority Act and the framework for the consideration of continuing issues.

In relation to the question of funding, the act provides an obligation on the states to maintain their 1992 effort in relation to their provision of funding for the vocational education and training system. It also provides for the Commonwealth government—as its part of the bargain, if you like—to provide growth funds on a continuing basis.

Here I would like to refer the committee to clause 19 of the schedule attached to the act, which is at page 23 under the heading ‘Main decision making processes’. Clause 19 says:

The States and the Commonwealth will jointly fund the vocational education and training system through the ANTA (subject to any State’s decision to hand over responsibility to the Commonwealth). States will maintain—

which I emphasise—

(and in some cases lift) their current effort, as outlined below. The Commonwealth will fund growth for the sector on a continuing basis and, for 1993-95, provide funding as outlined in **One Nation**. The ANTA will provide information and advice to the Ministerial Council to assist the Commonwealth Minister to make decisions on growth funding levels.

That clause, contingent with clauses 32 to 35 on page 25, provides a commitment on the Commonwealth to provide growth funds on a continuing basis. It is our submission that the amendment bill being considered by the committee in fact breaches the obligations provided in that schedule of the act, in relation to the obligations of the Commonwealth to provide continuing growth funds to the Australian National Training Authority. That is the substance of our major point. We are seeking legal advice as to whether or not there has been a legal breach, but certainly there seems to have been a moral breach in relation to the obligations of the Commonwealth government to provide those growth funds.

I will return to our submission. In addition to that point, we also raise in our submission the issue of the transfer of obligations in relation to a number of matters that have been imposed on the vocational education and training system, which may result in a transfer of obligation to fund from the Commonwealth to the state. In particular, I refer here to dot point 5, which relates to the question of the dole being abolished for 16- to 17-year-olds, and the

implications of the dole being replaced by a training allowance by the Commonwealth for youth in that group who, in order to qualify for the training allowance, have to seek a training place.

Our estimate is that in the vicinity of 150,000 people currently unemployed in that age group would be seeking a training place either at a TAFE college or from a private provider in the year beginning 1 January 1998. Those 150,000 young people would only qualify for the youth allowance if they were in training. My understanding is that this bill does not provide for training places for that particular cohort, which means that effectively the states will pick up the tab for providing the training places that those youth would be seeking to obtain.

The third point I would like to make is on the proposed new funding arrangements for the next five-year agreement between the Commonwealth and the states in relation to the ANTA agreement. It has been a matter of public knowledge that the minister, Dr Kemp, has suggested that, in consideration of the same provision of funding from the Commonwealth as applied over the last five years for the next period of the ANTA agreement, there should be 500,000 additional training places produced by the states out of what I think has been suggested is an efficiency dividend. I am not quite sure what that means. Our submission is that the states do not have that fat in the system, if that is what is suggested it is. I might point out here that TAFE makes up 95 per cent of the total funds that are provided to the vocational education and training system. So when we talk about the vocational education and training system we are really talking about the public TAFE system. There is simply no room for an efficiency dividend of that nature to produce those so-called savings.

This is on top of the current government's already projected and implemented cuts to labour market programs of \$1.8 million over the last year, this year and the ensuing two years, which will also have a direct effect on unemployment and on the way in which the training for the unemployed and the long-term unemployed is to be provided.

In the substantive submission on page 6 the AEU has broken down the three elements of our primary submission: the cuts over the last two federal budgets to vocational education and training funding, the cost of 100,000 additional training places under the proposed renegotiated ANTA agreement and the implications of the youth training allowance and places that would be provided for that cohort.

Our assumptions are that a training place in the TAFE sector would currently cost around \$6,000, if you look at point 12 on that page. There is an estimate by the executive officer of the Australian National Training Authority that, in fact, the average cost of a training place is \$7,500 per year. But we have taken a conservative estimate and, on the basis of enrolment shared by states in table 1, we have calculated the actual cost to the states of producing the 100,000 new additional efficiency dividend places, the 150,000 new training places for 16- to 18-year-olds and the effect of the cuts to vocational education and training over the last budget and the projected budget cut in the current and future budgets on the basis of forward estimate projections.

As you will see from that table, the effect obviously on the larger states is to create a cost in the vicinity of \$600 million for the New South Wales government, for the Victorian government somewhere in the vicinity of \$450 million, and so on. You can see from those calculations that there is, as a result of federal government policy, an implication in the cost of providing training places for the states.

The rest of our submission looks at the question of the changes that have already occurred in the vocational education and training sector over the last few years. You will all have been

aware of the move to an industry driven system which is now the foundation of the vocational education and training system. We have raised some equity issues in relation to that and the way in which people are able to access places in the public provider and in relation to vocational education and training generally. On page 13, we have looked at the effect of unstable funding to the TAFE system which has resulted in significant casualisation of the teaching staff and non-teaching staff, although we have figures only for teaching staff. In New South Wales, more than half of the total teaching effort is now casual—that is, hourly paid.

We looked then at issues related to user choice, the pressures of competition and the effect that those have had on reforms in vocational education and training, and the introduction of user choice from the beginning of 1998 which, if implemented fully, will affect the public provider—that is, TAFE. If employers decide to choose a provider rather than the TAFE system, almost 20 per cent of total TAFE funding would be diverted to other than the public system. They are our submissions. I am prepared to address questions.

CHAIR—Ms Burrow, do you have opening comments?

Ms Burrow—Not in terms of substance. I think my colleague Mr Hewett has covered that. I simply wish to put before the committee the very basis of questions about the ethics of a bill that actually fails to address the funding or the quality issues associated with the public policy that is behind it. In our view, we now have an issue before the parliament where federal government policy—and we acknowledge their right to drive policy—is not supported by the funding base and the agreement base through legislation and regulation with the states to put that funding in place.

When you look at Rex Hewett's summary of the cuts to TAFE over to budget, the labour market program cuts and the effect on TAFE in particular and the VET sector more broadly, the efficiency demand from the federal government of some \$300 million, and you contrast that—as Rex has indicated—with the unmet demand of 65,000 places from last year, the 100,000 additional places demanded by ANTA in terms of the current agreement round and the unknown demand driven by the youth training allowance and changes to the dole, you see that we have a breakdown in Commonwealth-state partnership. We have states who say they are simply unable to meet those expectations and we have a Commonwealth that is driving those expectations, and the government is not prepared to fund the public policy base. That is the fundamental basis of our submission.

Ms Nicholls—I will also make a very brief opening statement. The NTEU has membership in TAFE, as we have stated in our submission. Our interest in this inquiry is related to the interests of those members but also more generally to our general policy concerns in the entire tertiary education sector, in particular the intersection between the VET sector and the higher education sector.

You will note that in our submission, as well as making comments about funding and efficiency in TAFE, we draw attention to the fact that currently in train is a very major and broadly based review of higher education funding and organisation, the so-called West review: the review of higher education financing and policy. In our view, as we set out in our submission, we are concerned that moves in the VET sector to fundamentally change the funding base and the method of organisation of a main part of the effort of that sector are going to have a considerable impact in a policy sense on the outcome of the West review and on higher education generally.

In particular, we are interested to see developing through the West review process a new approach to relationships between higher education and the VET sector, which would imply

changes to funding arrangements. In our view, if a very large change of the kind referred to in the new apprenticeship system is going to be implemented in TAFE, that will pre-empt some of the changes that could be very positive being made in higher education.

I will not go through what is in our submission. I would, however, add a couple of figures for you. For a different purpose, I prepared some measurements of efficiency and productivity in the VET system. I was able to produce some figures which show trends which would indicate quite substantial improvements in efficiency in the system and which would, as Mr Hewett has said, really question whether further efficiency gains can be imposed upon the system by cuts in funding. For example, over the period of 1991 to 1994 there was a percentage growth in contact hours in the VET system of 21 per cent nation-wide.

In a similar period, enrolments increased by 16 per cent. However, teaching staff in the VET system as a whole increased by only 8.4 per cent and non-teaching staff—it is very interesting to note—actually increased more rapidly. If you compare the growth in teaching and non-teaching staff, you will find that the system has moved to introduce quite substantial change and efficiency by employing non-teaching staff, apparently to do some of the work which previously was done by more highly paid teaching staff.

Whether this is a good thing from the point of view of quality and whether such non-teaching staff have the appropriate expertise to undertake many of these tasks, I am not equipped to answer. But I would point out that those figures, although they provide a snapshot, do indicate substantial change within the sector over the 1990s.

Ms Newcombe—I wish to make a couple of additional comments, Senator. In relation to the point about the quality of the system and teaching staff, the AEU has a concern that, whilst we have a national approach to upgrading the skills of our general work force, we have not had a national approach to upgrading the skills of the teachers who are delivering that training. In fact, the national staff development budget has been cut from \$5 million to \$1 million.

What we are finding in conjunction with the high levels of casualisation of the teaching force in the VET sector is that there has been, if you like, a lack of access to staff development and teacher training as well. We have a great deal of concern about the quality of the system in relation to national qualifications. We would like to see a national approach to qualifications of teaching staff in the VET sector.

One other point that I would like to make in addition is in relation to the effects of the \$1.8 billion in the 1996 budget to labour market training programs. This has meant a loss of infrastructure to TAFE colleges and also to the adult community education sector and, to some extent, to private providers as well. It has meant much less access to training and education for groups in society such as indigenous people, adult migrants, retrenched workers seeking retraining and re-employment, and other such disadvantaged groups. We would like to see some of the funding that has been lost in terms of labour market programs picked up on a national basis.

Senator CARR—I would like all the witnesses to comment on this. The government claims of course that efficiencies are possible within the system. Surely that is an irrefutable proposition: you can always cut any government program. What do you believe is the impact of the efficiencies that have been canvassed in the public arena to date?

Mr Hewett—I would like to address that issue. The major cost in the vocational education and training system is in fact labour. It is a very labour intensive industry. Over the past two years there have been negotiations with various state branches of the AEU and of the equivalent Public Service unions, who cover generally the non-teaching staff and put in place

two- and three-year enterprise agreements. Those enterprise agreements have provided the basis for a settlement for a wage increase and significant efficiencies. There are simply no further efficiency gains to be produced, since most of those agreements, even if the employers did want to change significantly the way in which the system operates, would be bound by the requirements of the workplace relations legislation—or other legislation that exists in the state sphere which registers those enterprise agreements—in order to produce, if they were seeking to, any further efficiency gains. That is the first point I would make about efficiency gains.

The second point is that there already has been a significant efficiency dividend produced by the massive restructuring that has occurred over the past four or five years. Changes have been mentioned by my colleague from the NTEU in relation to the efficiencies produced in the system as a whole. There is the change in staffing arrangements for teaching, where nearly fifty per cent of teaching is now, if you like, hourly paid. Those sorts of efficiencies have already been obtained. I understand that the Australian National Training Authority has suggested a figure of \$300 million, but I am not sure where that \$300 million could be produced from. Certainly, from the reports we have from state governments and our state counterpart unions, there is no room to produce a \$300 million efficiency dividend.

Ms Burrow—Perhaps I could provide an alternative perspective, agreeing entirely with my colleague. If you take \$300 million and you estimate that around 50 per cent of the VET share resides in New South Wales, you are talking about a \$150 million negative impact on that state. That is the equivalent of roughly two average sized colleges having to close down at a time when national policy is seeking 100,000 additional places or, to use Terry Moran's figures of average place cost, some \$750 million additional.

If you add the demand for those places at \$750 million to the \$300 million, you have over \$1 billion having to be found by the states. In addition to that, considering that the bulk of labour market program cuts and the two budget cuts to TAFE would deliver in the vicinity of a \$1.7 billion to \$2 billion cut already to TAFE, we are talking about a federal government that is demanding more and more—and rightly so—of the VET sector but effectively cutting \$3 billion out of an otherwise efficient bureaucracy over the life of their government and now demanding that it stay afloat. Those economics do not add up, even for those of us with the most basic of mathematic skills. That underscores the point we made about the Commonwealth responsibility for funding their own public policy framework.

Senator CARR—Ms Nicholls, what is your union's view of the effect of further efficiency gains within the sector?

Ms Nicholls—I share all of the concerns of my colleagues from the AEU. I would add, from the NTEU's slightly different location and perspective, that we are inexorably moving towards a much more integrated tertiary education sector. Graduate programs, for example, are going to be provided through the existing TAFE sector to a much greater extent than they already are being provided. The VET sector is going to be much more involved in higher education provision, particularly in the early years and particularly if, as an outcome of the West review, there is the introduction of a system of competitive tendering for higher education provision, which is quite likely.

Given all that, it would seem that looking two, three or five years into the future, the existing vocational education and training sector is going to be pressured from all sides, not only in terms of its current mainstream areas of provision but in terms of the new breadth and depth of courses that it is going to be required to provide to graduates and to undergraduates who are studying at university level. This will be true particularly in regional areas but also within

the city. If we are looking at attempts to artificially generate efficiency gains in the system by imposing arbitrary cuts, that certainly is the wrong direction to be taking when, in policy terms more broadly in Australia, we are seeking to enhance the role of that sector in education provision.

Senator CARR—What do you believe will be the impact of the introduction of new forms of delivery privatisation of the system? Will that not lead to greater efficiencies?

Ms Nicholls—Some people believe so. However, privatisation usually goes hand in hand with systems of competitive tendering which in themselves involve inefficiencies. The inefficiencies have to do with how the tendering process itself is carried out. Furthermore, unless there is very close regulation of private provision, there are real threats to the quality of the education that can be provided and also to the stability of provision and to planning arrangements in the system. Given, as I have said on many occasions to this committee, that Australia is a very large country from a geographical point of view but with a sparse population, and the role of government in planning education provision and in ensuring that a decent set of choices and options are available to students in vocational education, higher education and in general further education right across Australia, it is important that government retain that sort of planning role.

In a system where small, possibly niche private operators are proliferating and offering courses maybe on contractual terms for short periods of time of one year, to three years to five years and then possibly disappearing or moving into other areas, it is very hard for government at either state or federal level to keep a handle on the sorts of planning requirements and the general big picture that is the role and responsibility of government to do. So I think that, while there is a cargo cult about growth in private provision, there are many reservations that ought properly be expressed.

Ms Burrow—Senator Carr, the latest NCVET figures I think speak for themselves. Despite the probably tens of millions of dollars—certainly millions of dollars—being spent on trying to construct a private training market in this country, currently less than three per cent of student contact hours are delivered by the private sector. If you are talking about efficiency, and we are talking about \$300 million, then at best you are talking, in terms of the current provision or at 1996 figures, about three per cent of that \$300 million potentially being delivered by private providers if it is divided up—I suspect it will not be anyway, but if it were. So we do not have to convince you. The research from a body like the NCVET speaks for itself.

Senator CARR—Mr Hewett, I read in your submission that you have some concern about the effect on quality of private provision already. The union seems to have some general concerns about the quality of the public provision as well. Is it your submission to this committee that privatisation leads to a decline in quality? If so, how?

Mr Hewett—It is our submission that the whole move towards competition and user choice, unless accompanied by very strict quality assurance mechanisms both at the level of classroom or workplace learning and the accreditation processes, can lead to a real waste of government money. If, in the end, the outcomes from that privatisation of training produce cheap, dead-end training, then the government has wasted its money. The facts are, as has been indicated by my colleague Ms Burrow, that the VET system is substantially the public system. Businesses, particularly small businesses, do not have training as their core operational requirement. It is not a core issue. Education and training are not core issues for most businesses.

In relation to the move towards tendering and contracting out, while it has not—as the figures show—involved significant privatisation, the rush to create an artificial market by certain of the ministers in the states and the Commonwealth minister, resulting in, as I said in my primary submission, 20 per cent of funds being effectively handed over to employers from 1 January 1998, has very grave implications for expenditure of public funds. There have been cases—*anecdotal*, however they may be—of consultants, you might call them, or people who are registered as providers in the states and territories who have set up in public libraries with minimal equipment and resources and with staff teaching the courses with insignificant teacher training or qualifications. That is the real danger, I think, of rushing to an open training market where there are no quality assurance provisions actually included in the regulation of that training market.

Let us be serious about it: there is not in fact a great deal of open competition in the training market, because the government subsidises most of it. The government provides most of the funding for training. So it is not businesses or industries going out there and voluntarily spending millions of dollars on training. In fact the first thing that happens when a recession occurs is that the personnel management functions and the training functions of companies are abolished. That is the first section of a company that is affected during recessions.

The thing about TAFE is that it is a reliable, continuing—let us hope it is continuing—public provider of good quality education and training which is accessible to all groups. In our primary submission we indicate that TAFE, more than any other part of the education sector on any measure—ethnic, gender, regional location, age—most closely represents the population at large. We think it does a good job and should be continued to be funded to do that job.

Senator CARR—We have heard evidence today that there is in fact a proposal contained within this bill to maintain the level of funding as a base level for this year, which is, I contend, some \$272 million of direct VET funding less than otherwise would be the case. That excludes the loss of \$1.2 billion or thereabouts in labour market programs.

Mr Hewett—It is \$1.8 billion over four years.

Senator CARR—But not all of that would be in the VET sector. I do not think it is fair to claim all of that. So there is a substantial decline in the amount of resources that are available to the VET sector as a result of government policy decisions. We are also hearing that there is going to be an increase in the level of demand. The Commonwealth minister is talking about 500,000 extra places. There is talk about privatisation as a means of coping with that obvious disparity between the level of demand and the level of funding. They are also talking about a new system of entirely on-the-job training. So presumably you can dispense with the VET sector as we know it altogether under this new regime. What is your understanding of the proposals for all training on the job?

Mr Hewett—My view of that is that it is mission impossible. There are cooperative arrangements currently between TAFE colleges and businesses to provide on-the-job training. There is a range of models. ICI in Sydney is a cooperative arrangement where there is effectively a TAFE facility at the plant and there are others all around Australia where workplace training is delivered at the site on the job.

But the fundamental problem with the delivery of workplace training is that, as I said before, the core responsibility of business is to produce a profit through keeping their plant and equipment up to date and operating, not for training purposes. It is difficult to actually get access to workable machinery for customised training on the job when it is in use. That is the reality. So workplace training, while it is a new and innovative process and added to the kitbag

of provision that TAFE is able to offer to employers and to individuals, is not the answer in itself.

Ms Nicholls—A further reason for that is that workplace training, by its very nature, is available to those in employment or who are in other ways associated with the workplace. Access to such training does not exist for a person who is unemployed or, possibly, is employed and is seeking to retrain in another area of work.

Senator CARR—The committee has before it the report prepared by KPMG which spoke of—at least in some scenarios—up to one-third of all growth in traineeships being wholly on-the-job format. Are you aware of those proposals?

Mr Hewett—I have only looked at that report briefly, but my understanding is that it suggests that there would be some additional cost if workplace training were to be fully implemented and, to produce the outcomes that are required by the federal government, some contribution other than from industry and commerce itself would be required—or else the federal government would be required to fund the additional places and the demand that is likely to come through the system.

Senator CARR—They are talking here of a training cost of \$800, which is substantially less, I would have thought, than what it would cost to train people through a structured training environment.

Mr Hewett—I would suggest that \$800 would probably be, to put it unkindly, a mickey mouse course, for which, probably, the participant would not even get a qualification at the end. So I am not sure that KPMG are suggesting that you can produce an outcome which will attract a qualification at the end of it for the student. In my view, if that were the case, then once again the government has expended public moneys on something which will not produce any significant outcome.

Senator CARR—There is a whole question here which goes to the issue of quality again—as I say, the two areas. Under those circumstances, how often is it the case that such training is being undertaken by qualified instructors?

Mr Hewett—It is hard to say, first of all, what the qualifications requirement is. Certainly, people who work for registered training providers in a training or teaching capacity are required to hold qualifications which are at least equivalent to that which they are teaching and—in the case where workplace delivery is undertaken by the trainer or teacher—the competency standards that would be required of an assessor.

But that is very minimal. I saw a course for that provided by Melbourne University which was two days in length. If anyone can provide in a two-day course a proper training program for people who go into a variety of workplace settings and teach anything from operator level to diploma and advanced diploma level, I would suggest that they are not competent.

Ms Burrow—In regard to that option, industry itself will simply vote with its feet, and so that is not realistic. If the basis of the future of our country is highly skilled individuals, then even the fast-food industry has demands about theory—in terms of off-the-job and on-the-job—that could not be delivered in that context or for that amount of money.

I am sorry to intrude, but I have to go. I am in the middle of another meeting. I am more than happy to leave your questions with my colleagues, and I thank you for your time.

CHAIR—Thank you for appearing today.

Senator CARR—I return to this question of efficiencies, because clearly that is an integral part of the proposal currently before the states. What is your understanding of the offer from the Commonwealth to the states in regard to the additional 500,000 places?

Mr Hewett—I have only seen newspaper reports and a press release in relation to renegotiation of the Australian National Training Authority agreement, so I can only go on the basis of that information. My understanding is that Dr Kemp has offered the same amount of money to the states for the next five-year ANTA agreement as was available to the states for the previous five-year agreement, on condition that an additional 500,000 training places be produced with the same amount of money or, if not with the same amount of money, by the states increasing their effort to produce those places.

Senator CARR—This bill introduces the base level funding for this new round, so we are looking at the real dollar calculations based on this bill. The Prime Minister's letter to the states talked about benchmarking—against Victoria in particular. I am wondering what your understanding is of the differences between the states by comparison with Victoria?

Ms Nicholls—I have done a bit of work on this issue and I would be very concerned to see the state of Victoria used for benchmarking purposes. The funding levels in Victoria and client-teacher ratios, and virtually any other measure you might want to look at, would indicate that Victoria has the very lowest—the rock bottom—of all states. For example, take average unit costs per hour for government funded VET activity in 1996. In Victoria, the average cost per hour of teaching a student was \$8.13 and, in the Northern Territory, it was \$19.43. One can understand why that might be the case in somewhere like the Northern Territory. The average would have been about \$12.

There are special needs in places such as the Northern Territory, Western Australia, Queensland and other states—which have large areas or large indigenous populations or specific needs like that—and I would be very concerned to see Victoria used as a benchmark. In Victoria—and I am from Victoria—I am afraid many of us are not proud of the fact that our TAFE system, our VET system, is very poorly funded compared with everywhere else. Another way of measuring this is to look at the relative cost factors, where 1.0 is the average. In Victoria, in 1996 the relative cost factor was 0.9702. By benchmarking against Victoria, you would be bringing everybody's costs down to the lowest possible common denominator and not bearing in mind the varying needs of the various states and territories.

ACTING CHAIR (Senator Carr)—I want to ask the AEU this: what is the situation in regard to the present pay claim in Victoria? What impact would that have on the cost relativities?

Mr Hewett—That is a good question because, in relation to using Victoria as a benchmark, the committee needs to be aware that Victorian staff have not had a wage increase since 1991, other than the three safety net adjustments. Therefore, their costs would obviously be lower than the national average.

The Victorian government is in conflict with the AEU branch and, indeed, with the NTEU branch in Victoria. There is currently under way in the federal commission on arbitration on a wage claim by our branch for a 20 per cent increase in wages and salaries to apply across the TAFE system. Evidence produced in the federal commission in relation to that claim proves conclusively that, firstly, there are no more efficiencies to be gained from the arrangements that govern the TAFE system in Victoria and that, secondly, the claim is indeed a valid claim in terms of what is likely to occur in costing.

ACTING CHAIR—How do the wages of a Victorian TAFE teacher compare with the wages of a teacher in, say, New South Wales or any of the other states?

Mr Hewett—It is interesting. At a higher education round table discussion some two weeks ago, I asked the minister, Mr Phil Honeywood, this question: if the Victorian TAFE system is so efficient, why are the teachers and the staff the worst paid in Australia? I think it is a valid question. I must say I did not get a satisfactory response to that from the minister, but I would suggest that it is the pressure by the government policy in relation to wage increases that stopped fair and real wages from being paid in Victoria.

ACTING CHAIR—What sort of differential are we talking about?

Mr Hewett—We are talking about in the vicinity of \$5,000 to \$6,000 at the top of the incremental scale between Victorian TAFE teachers and New South Wales TAFE teachers.

Ms Nicholls—In the area of general staff wages and salaries, we have a similar situation.

ACTING CHAIR—Are they generally much lower?

Ms Nicholls—Yes. Similarly, the general staff have not had a wage increase since 1991, apart from the safety net adjustments that Mr Hewett mentioned.

ACTING CHAIR—But it is in that order?

Ms Nicholls—Yes.

ACTING CHAIR—So that is about 10 per cent?

Mr Hewett—It is between 10 and 15 per cent, depending on your position on the scale.

ACTING CHAIR—When will that matter be resolved?

Mr Hewett—I think we will have the arbitrated outcome later this year or early next year.

ACTING CHAIR—Would it be fair to say that the costs, therefore, of the VET sector in Victoria are likely to increase by around that level? There was a six per cent pay rise offered to secondary teachers in Victoria recently. Has that been extended to the TAFE sector?

Mr Hewett—I understand there is an offer by the employer in Victoria which amounts to a seven plus three per cent increase.

ACTING CHAIR—Seven now and three later?

Mr Hewett—Seven per cent now and three per cent later. This is not an offer to the union; this is an offer to individuals. But there are various conditions applying to acceptance of that offer, which is why in fact our branch is not prepared to accept the conditions. If you assume that the government is prepared to pay somewhere between seven and 10 per cent, that amount would apply to any cost comparisons between Victoria and other states.

ACTING CHAIR—Ms Nicholls, has the same sort of offer been made to general staff members?

Ms Nicholls—Yes; an offer of the same quantum has been made to general staff.

ACTING CHAIR—Is it your judgment that the costs are likely to increase, therefore, across the system—given the importance of wages as a cost of provision—by around a figure of between seven and 10 per cent?

Ms Nicholls—In terms of wage costs, yes. As Mr Hewett pointed out earlier, overall the wages bill of the TAFE system is by far the predominant part of their entire expenditure.

ACTING CHAIR—Would that amount be sufficient to neutralise the so-called efficiency gain—that is, the cost differential—with other states?

Ms Nicholls—It largely would. It would bring Victoria up to a level similar to, say, New South Wales. Of course, it would not raise costs in Victoria to those of certain states where they have very particular needs and large distances to deal with.

ACTING CHAIR—New South Wales has an employment share of 37 per cent and Victoria has 28 per cent, which is obviously the bulk of the system.

Mr Hewett—That is correct.

ACTING CHAIR—I might turn to the costs that you are relying on in terms of your estimates of the impact of the government's demand for additional training places for the system. You are putting to this committee that there is some \$600 million for 100,000 additional training places and \$900 million for the 150,000 new training places for unemployed persons transferring to the TAFE system from the dole. Quite clearly, there would not be 150,000, would there? Presumably the total number would not all come into the TAFE system.

Mr Hewett—I think that is right. Our estimate of 150,000 is probably a little excessive, although it depends really on the effect of the abolition of the dole for those people. I do not claim to have a crystal ball but, if it is not \$900 million, it is somewhere between \$600 million and \$900 million at a minimum. If only 100,000 of those 150,000 potential students were to make the decision to go to TAFE, then the cost would be \$600 million.

ACTING CHAIR—We have heard evidence this morning that the numbers that were transferred directly to the VET sector would be small. The department is putting to us a much smaller number. It would not quantify it, but it is suggesting a much smaller number than you obviously are. We are due to conclude this session, but I wish to ask a further question on the breach of the ANTA agreement. You are saying you are seeking legal advice on the force of that argument?

Mr Hewett—Yes, we are. It would seem, based on the preliminary legal advice that we have at the moment, that there is in fact a case to answer, particularly when you refer to page 25, clauses 32, 33 and 34, which constantly talk about the 'Commonwealth will', meaning 'shall'—I am referring to clause 33—'provide growth funding on a continuing basis'. What the foundation of the growth funding is and what 'growth funding' means could be argued. One Nation and the other commitments in the various budgets since 1995 to apply \$70 million in cumulative growth funds to the ANTA pool certainly suggest that, if the federal government were to reduce its effort in providing growth funds on a continuing—and I emphasise 'continuing'—basis, then there is a breach of the act.

The other part that I think is important is that, even if there is not a legal breach, it is likely that the states would walk away from the agreement. If a clause requires the states to maintain their 1992 training effort, which is included in this act, then why would they want to be part of an agreement where there is no guarantee that the Commonwealth is agreeing to its side of the bargain?

Senator CARR—Can I put this to you? 1992 was a long time ago and maintaining 1992 levels of effort would not be difficult for most states, given that there has been an increase in activity, you would hope, over the past five years. Therefore, it is easy for the states to satisfy that component of the old act but, in relation to the Commonwealth's commitment, the quantities refer to only 1993-95—that is, the current ANTA agreement—and there is no quantum referred to beyond that figure. Could it be that continuing growth could be provided on the basis of one chestnut a year or some small amount?

Mr Hewett—One could read the act in that way but, personally, as I said before, it would mean that the states would not feel obliged to maintain their effort. In fact, the clause that I referred to is clause 31 under ‘Funding arrangements’. The third sentence of that clause says: Pending such agreement—

that is, agreement over how you measure effort—

being reached and agreement to a timetable for subsequent implementation, States will maintain 1992 effort in real terms.

While you can well suggest that those levels in those days were arbitrary, the fact is that the term ‘real terms’ means that the states have had to maintain their real effort. It is not just a question of the level of funding that was provided in 1992.

Senator CARR—Would the union consider taking this matter to court?

Mr Hewett—As I indicated, we are seeking legal advice. My understanding on the basis of preliminary legal advice is that either the union or some public interest group or the states themselves could take to the Supreme Court in a state a claim for breach of contract—since, in effect, the schedule attached to the ANTA Act is in fact a contract. It is a contract between the states and territories and the Commonwealth and, if the breach is to be pursued, in effect it would be a breach of contract.

CHAIR—I thank the witnesses for appearing today.

[12.06 p.m.]

BANGAY, Mr Robert John, Pro Vice-Chancellor, Vocational Education and Training, Royal Melbourne Institute of Technology, 124 Latrobe Street, Melbourne, Victoria

CHAIR—Welcome. The committee prefers evidence to be given in public means but, if you wish at any stage to give any of your evidence, part of your evidence or answers to any questions in camera, you may make the request and the committee will consider the request, but such evidence may subsequently be made public by order of the Senate. The committee has before it document No. 3, which you may assume we have read. You are welcome to make some brief opening comments to the committee and then we will proceed to questions.

Mr Bangay—My response to the committee was from the point of view of being a practitioner in the delivery of vocational education and training. I have identified in simple points the concerns that I have and the opportunities that are being presented through the changes being proposed to vocational education and training. Given the limited time, I think it might be better if I were to respond to any particular questions that the committee might raise. I have tried to cover the matters of autonomy and costing and support services for students of TAFE in our system.

Senator CARR—Mr Bangay, you are involved with a cross-sectoral institution, if you like, in terms of it being both a university and a TAFE college. How do you think this system has worked to date? Has the RMIT been able to successfully combine the two levels of activity?

Mr Bangay—Yes; I believe it has, in a very successful way. As you know RMIT has operated on this basis for 110 years. It has believed and still believes in a provider that provides a comprehensive post-secondary education profile. We have a number of opportunities to have the TAFE area and the university area work together. We have been able to provide career pathways in education for students who go through a TAFE program and subsequently or immediately may wish to move into higher education, because of a change of ideas and futures. Last year, we commenced having TAFE departments and higher education departments in the same cognate faculty so that, for example, all of RMIT engineering is together. This

provides for the public a one-stop shop for engineering vocational education from prevocational through to postdoctoral studies. There is also the sharing of specialised resources and teaching.

Senator CARR—Thank you very much. Therefore, you are familiar with how the funding arrangements work at the higher education sector, the university level, and at the TAFE level. Could you indicate to the committee your view of the immediate future as a result of the changes that are being proposed through this bill to the level of quality and to the level of stability of funding for your institution?

Mr Bangay—I will comment on the last one first. The stability of funding is an issue with us, as is obvious. We have a number of permanently employed teachers who are in areas where user choice will come into being. Our concern about those areas is that, if we are not successful in getting new apprentices, we will have a number of staff in excess. The concern is whether we will have funding able to support their release from the university. That lack of stability in our funding base is of concern to us. We would prefer in VET to have some assurance of funding, as higher education has, into the future, although even that is changing in higher education as we know. In setting budgets, plans and strategic directions, we would like to have some certainty of the future.

Senator CARR—Your submission refers to the fact that changes in government funding levels over many years result in declining standards of equipment and facilities in some TAFE institutes. Given that the Commonwealth in recent years, under the Labor government especially, had increased the level of funding quite dramatically for the VET sector, presumably you are referring to changes in funding at the state level.

Mr Bangay—Yes; although capital funding has come from the Commonwealth end and places like RMIT have not been the preferred development zones for the provision of TAFE programs. We find that, apart from one building recently completed, RMIT has a lot of old stock that does require a fair amount of refurbishment, bringing it up to date for modern training needs and, frankly, we have not been well supported in capital development from either government for some years.

Senator CARR—I understand that in fact the Commonwealth has provided some 60 per cent of capital funding for the VET sector in Victoria in recent years, but the allocation was made at the state level.

Mr Bangay—Yes; I believe that is true.

Senator CARR—Where the money was actually spent was a state decision.

Mr Bangay—Yes; I believe that is true.

Senator CARR—Are you also aware that in the last state budget VET funding was cut by 40 per cent in Victoria for capital works?

Mr Bangay—Yes; I believe there has been a substantial decrease in capital funds for VET. That is a concern to us because of the old stock that we have. The point that I made in my letter is that, if we are going to go into a competitive training market, we are competing with other providers that may be up to date with buildings, facilities and equipment, whereas we have been left with a fairly run-down situation.

Senator CARR—On the contrary, it might also be said that private providers are not obliged to provide community service obligations, such as student amenities, student counselling services and the range of ancillary services that one would expect from a serious educational

institution. Could it also be the case that the quality would be affected by such private provision?

Mr Bangay—Yes, I believe that is a concern. We are finding more and more young people and older people in our TAFE programs presenting for counselling for various reasons—stress, financial hardship and the like. Our student services people tell us that the demands on their services are increasing. If young people are going to go to private providers, these services may not necessarily be available and those people will not be as supported as perhaps they have been traditionally supported in TAFE institutes.

Senator CARR—Your submission refers to the wide variation in private providers' capacity to provide a quality educational experience for students. You go on to say that students are not likely to be able to judge this for themselves until they have proceeded some way into their course. Can you enlarge on that? What evidence do you have for that proposition?

Mr Bangay—Not a lot of evidence; but it would be fairly understandable that somebody could read an advertisement from a newly successful private provider promising them a course in some area and could embark on that program through the private provider, supported by government funds, only to find after they have experienced the program that the teaching quality or services may not be up to standard. Usually, some time will have passed before that is recognised. I do not have any specific examples, but I imagine that this would be a concern, whereas public providers, such as RMIT and many other TAFE institutes around the country, have a track record in providing training for students and have a reputation that is well known.

Senator CARR—Your TAFE college has had over 100 years of experience with provision of training of apprentices. This committee is coming to grips with the changes that are occurring with the so-called new apprenticeship model that is being proposed. In your experience, has there been a maintenance of the quality of provision with the reduction in the training period of three- and four-year apprenticeships to the one- and two-year traineeships that are now being proposed and termed New Apprenticeships? Are they of equivalent value?

Mr Bangay—I do not think we would regard the three-year 960-hour apprenticeship training as equivalent to some of the basic prevocational or traineeship programs, many of which are kick-starters into employment rather than being courses providing a full tradesman-level qualification. They are, in many cases, necessary steps—and we have had a number of students go through traineeship programs that have led into higher levels of employment. It is a career path approach rather than being a full program at the start. The success would be variable. I must say that we have had some very successful traineeship programs that have led young people into apprenticeship programs.

Senator CARR—Yes; but the number of apprenticeships in the past 20 years across the country has been declining. There has been no growth in those areas. The number of traineeships has expanded dramatically in recent years, although I might say it has substantially declined in the past two years. Can you in your judgment say that the traineeship provides a quality outcome equivalent to that of an apprenticeship, in the old meaning of that word?

Mr Bangay—I still have a problem with equating some of the traineeship programs that are lesser in time with the trade program. The time difference means you cannot have the same level of outcome. In some fields, I think that trainees could replace the tradesmen, because of the changing work pattern; but in other areas there are students who are doing diploma courses, rather than trainee programs, eventuating into trade work.

Senator CARR—It has been put to the committee this morning that this was really a question of the flexibility of the provision and the nature of changes in technology. Are you

aware of any research that supports the claims that the new forms of traineeships are of equivalent value to the old traditional apprenticeships?

Mr Bangay—No, I am not aware of any research on that.

Senator CARR—None at all?

Mr Bangay—None that I can recall right here and now.

Senator CARR—How long have you been a practitioner in this field?

Mr Bangay—Just over 40 years.

CHAIR—Thank you very much for appearing today.

[12.22 p.m.]

TYLER, Mr Peter John, Executive Director, Building and Construction Council of New South Wales, 623 Harris Street, Ultimo, New South Wales 2007

CHAIR—I call the committee to order and welcome the witness from the Building and Construction Council of New South Wales. The committee prefers evidence to be given in public, but if at any time you wish to give any evidence, part of evidence or answers to specific questions in camera, you may ask to do so and the committee will consider that request. However, such evidence may subsequently be made public by order of the Senate.

The committee has before it document No. 8, which you may assume we have read. You are welcome to make some brief opening remarks and then we will go to questions.

Mr Tyler—Essentially, I wish to make two points. I am responding perhaps to the minister's second reading speech rather than to the actual substance of the bill.

Firstly, I should say that the Building and Construction Council supports the new apprenticeship system and the concept of demand driven training. We are also very concerned about the need to preserve public resources and to achieve value for money through the whole vocational education and training system.

Essentially, we consider that freedom of choice is a desirable attribute. On the other hand, we are concerned that there should not be an easy option—that the employers, employees and apprentices should not take the easy option in terms of short-term needs. We see that this may ultimately lead to some deskilling of the work force and to people who are unable to cope with changes in materials and technology because they have learnt skills which are applicable at the moment but may not have future demand. If this is the case, we could see that the public sector training system might be left as the residual training option with the unpopular courses or those which are less in demand. I believe that if ANTA or some other official agency—perhaps the department—were to keep an eye on this, the problems could be obviated.

My second point is in relation to the need for recruiting the right people into the courses. It has been my experience, and certainly that of my colleagues, that very often the vocational education and training providers are motivated simply by the desire to maximise enrolments—obviously because often their funding is dependent upon this—and they are not discriminating in their choice of students. Many students who undertake training subsequently do not pursue a career in that field. If this is the case, it is a great waste of resources and a great waste of talent and time.

We would urge that some proportion of the training budget—perhaps something in the order of one per cent or two per cent—be devoted to the preselection career advisory process, where we would make sure that the student matches the course requirements and has a genuine commitment and motivation towards following that career in later life. We suggest that this

be done through the funding of the development of industry based career advisory services so that the industries themselves—whether it is our own industry of building and construction, hospitality, transport or whatever—provide their own expert advisory services to tell young people about the options, the career opportunities and the career pathways which exist and try to make certain that people who do enrol for vocational training are well aware of what those potentials and the future possibilities are. That completes my statement.

CHAIR—Thank you. Senator Carr has some questions.

Senator CARR—Mr Tyler, I appreciate that you may not be familiar with the work of this committee. I do not believe you have made a submission before to the committee, and I do thank you for making a submission today.

Your submission highlights clearly the difficulty we are faced with in this new environment about meeting responsibilities. Have I read your submission correctly? Is it the case that you are putting to this committee that there is room for concern about the difference between the responsibilities of individual employers and the responsibility of the industry as a whole, given that individual employers will often think about the short-term, immediate demands of their company? Given that so many of the companies in the building industry employ fewer than 20 people, you could understand that. Is it your concern as an industry association that there are broader issues that will not be considered by individual firms if they are the main driving force for training?

Mr Tyler—That is a very good summary of it, yes. That certainly is my position and the position of my council. We try to take a longer term objective but, as you point out, the individual employer—very often a small business person—is driven by the need to have skills which he can immediately benefit from and use, and he therefore may overlook the long-term needs. The ultimate result may be that the people who receive the training at some stage in the future find themselves in a situation where there is no outlet for those skills.

Senator CARR—In recent years, we have had an ‘industry driven model’. When you talk to VET practitioners, the term ‘industry driven model’ appears. Why is it the case now that we have a shortage of carpenters in the building industry?

Mr Tyler—I am not sure that everyone would agree that there is a shortage of carpenters. One point I would make once again—and this is from my experience of advising young people about career options—is that there is a great tendency for parents, schools and often peers to encourage young people to pursue higher education rather than vocational education. There seems to be a general denigration of trades, whether it is carpentry, plumbing or any other trade type occupation. I think this is a retrograde step.

I suspect what is happening is that many people who would make splendid carpenters—who have the right aptitudes and attitudes—are being encouraged to take other forms of study which perhaps do not match their needs. This is where I see the need to provide more targeted counselling at the stage between school and embarking on tertiary education—whether it is at the VET level or at the university level.

Senator CARR—Is it your view that there is an effectively functioning training market in the building skills training sector?

Mr Tyler—It is functioning effectively, but I still fear that it is driven by short-term needs—for example, in Sydney by the Olympic Games—and is not looking at trends in new technologies, the need for future development and the career pathway aspect, the point that

young people need to have some goal to achieve and that perhaps an entry-level trade may be seen as a step along a pathway.

Senator CARR—How effective do you think the building industry is itself in creating training positions, especially at the entry level?

Mr Tyler—It varies a lot. Some of the larger companies are doing a splendid job. They are aware of their responsibility and they are aware of the need to bring the right people into the industry; but, again, with the typical building industry small employer—particularly in the housing sector where it is often a two- or three-person operation, often a husband a wife—there does not seem to be that feeling of responsibility. The situation has been aggravated, at least in this state, by the fact that many of the state authorities have neglected their responsibilities. Once upon a time, the State Rail Authority, the Water Board and the Public Works Department were great trainers, both at professional and apprenticeship level, but they have now virtually deserted that field.

Senator CARR—Do you think that the trend in recent times towards privatisation and contracting out within the public sector has in fact exacerbated this irresponsible attitude?

Mr Tyler—I think it has; I really do. Except for some isolated cases, everybody seems to be abdicating their responsibility, in a sense, and leaving it to somebody else.

Senator CARR—What is the view of your council in regard to this bill? How does it improve the situation? Or does it in fact exacerbate the existing problems?

Mr Tyler—I am not sure that it makes any difference. We are arguing for the Senate to consider allocating some portion of those funds towards that process of accurate career advice, information and selection, so that people who join the building industry or any other industry are people who really have the motivation, the wish and the ambition to pursue a career and are not just doing it because they are unemployed, because there is nothing else available and because somebody said, 'You can always get a job in the building industry.' One of the concerns of the building industry, I should point out, is that for too long we have been regarded as the career of last resort: 'If you can't get a job anywhere else, become a builder.' We in fact want the best talent, not the people who are left over.

Senator CARR—Yes. In your experience, do most apprentices get their off-the-job training through TAFE colleges?

Mr Tyler—Yes.

Senator CARR—We have figures here that suggest that some 95 per cent of training is undertaken through public provision, through TAFE colleges. Would that reflect your experience?

Mr Tyler—Yes. I would certainly think it was at least that high. I know of very few instances where there is a private provider. One of the troubles with our industry is that, being by its nature a moving industry, where workers and apprentices move from site to site as the work progresses, it is difficult for private providers to cater for that need, whereas the public sector system, of course, is very widespread.

Senator CARR—There is increasing pressure mounting within government circles for there to be less off-the-job training: that is, for training to be undertaken on the job.

Mr Tyler—Yes.

Senator CARR—Are you concerned about that trend?

Mr Tyler—No; I think that is a desirable trend. I think that is an appropriate place for the training to be done. Again, because of the small business nature of the industry, in some cases the personnel on the site are perhaps not themselves adequately equipped to provide that training. But, in principle, certainly we would support on-the-job training.

Senator CARR—How does that follow what you have said today if, in fact, most businesses employ less than 20 persons? Thinking short term, why would they bother to train carpenters or tradesmen for the breadth of the industry rather than for the specific needs of their particular firms, in this particular climate?

Mr Tyler—You are quite right; they have no motivation to do other than meet their own commercial needs, and that is a problem, one to which there is no easy solution.

Senator CARR—I thought you said before that it was desirable that there should be greater—

Mr Tyler—Desirable in principle, yes; but, in practice, you have highlighted a very real practical difficulty, in that the practitioner out there who has the pressure of time and commercial considerations is needing a worker who is effective for that immediate project rather than for the long-term project.

Senator CARR—If that is the case, do you therefore support greater privatisation of TAFE colleges?

Mr Tyler—Yes; that would certainly be a solution. We as a council have no particular commitment to the vocational education and training system being provided by public bodies. We think there are advantages in diversity of provision. One of the problems of the existing systems has been that they are too monolithic with not enough scope for catering for local demands. Privatisation may well remove that barrier, as long as by privatisation they are not only driven by the need to make a profit on every course, which might therefore leave some trades or some particular skills neglected.

Senator CARR—Have you had any discussions with the New South Wales government TAFE providers about these changes as you see them?

Mr Tyler—Not in a formal sense, no. We were invited to comment on this particular legislation and took the opportunity to do so, but I must say that vocational education and training is not one of our primary objectives. We are more concerned with contractual matters and that type of area, and so we have not pursued that at the state level; but I think we certainly should do so.

CHAIR—Thank you for appearing, Mr Tyler.

[12.38 p.m.]

FOOKS, Mr Desmond, 40 Monkman Street, Chapman, Australian Capital Territory

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Mr Fooks—I am a self-employed consultant, but I am here today in a private capacity.

CHAIR—The committee prefers evidence to be given in public but if at any time you wish to give any evidence, part of evidence or answers to questions in camera, you may make a request and the committee will consider that request. However, such evidence may subsequently be made public by order of the Senate. The committee has before it an article that you have written. You may assume that we have read that. Is there any other material that you wish to table at this stage?

Mr Fooks—Yes. I would like to refer to two other documents. I was approached yesterday evening, on the basis of that article, to see if I would be prepared to appear before the committee. When I arrived today, I found that the article referred to was something that I had written and was published in the campus review in early July. It was in fact the first of a double article on the so-called KPMG report.

CHAIR—We have copies of that.

Mr Fooks—That is the large one. The second one may already have been distributed too.

CHAIR—Yes, we have two.

Mr Fooks—They are virtually a parcel, even though they might look the same because they have my face in the same position.

CHAIR—You are welcome to make some brief opening remarks and then we will go to questions.

Mr Fooks—Can I refer to another document. I prepared some notes for myself last night, which I could hand up if you thought that they would help.

CHAIR—Yes, thank you.

Mr Fooks—The first thing I might observe is that many of the things that I would like to say today have been canvassed in one way or another this morning. If it suits your purpose, I would be happy to work through these notes.

CHAIR—Certainly, but I request you not to read them because we have the document in front of us—just speak to it.

Mr Fooks—No, I will not do that. I apologise. They were done at short notice so they are terse and cryptic and perhaps not in very polished language. The first point I wanted to make is that apprentice numbers are falling. That point has probably been made amply today. They have fallen from around of 62,000 new commencements only a few years back to something like 35,500 in the last year or two. The present minister, when in opposition, complained bitterly about this fall in apprenticeship numbers, but as far as I can observe nothing has changed in that situation in the last 18 months. In other words, we have been unable to turn around the decline in apprentice numbers. This is very serious because it suggests atrophy. In due course the whole skill base goes into atrophy. I think you can sustain some periods when apprentice intakes drop off, but if they never come back again the matter is serious and deserves attention in its own right.

I would like also to make an observation about interpreting statistics. Quite often when announcements are made these days about entry level training numbers what is being presented is a composite figure. So you have four-year apprenticeships mixed up with one-year traineeships. I do not think that is a very helpful way of presenting data—it really is apples and oranges—and it conceals the fact that apprentice numbers are in serious decline and that the only growth in recent years has been in one-year traineeships. There is nothing wrong with a one-year traineeship as an educational device, but the mistake comes if we create an entry level training system which is based entirely on short traineeships.

It has become common to talk about commencement numbers in terms of both commencements and recommencements. I think this is an artifice that ought to be recognised and that recommencements, by definition, are commencements in an earlier period and have, through that, already been counted statistically. By adding recommencements into commencements the effect is to inflate the figures by up to 15 per cent.

In terms of the government's major initiative in this area—New Apprenticeships—it seems to me, on analysis, that this is not going to provide the answer, that there will be very few additional apprenticeships as such and that the whole scheme is fundamentally built around the old one-year traineeships renamed as apprenticeships.

There are supposed to be plans to offer some new two-year traineeships. I think there are only a handful of those in existence at the moment. I do not know if they have ever been evaluated. I do not think anyone is too sure of what a two-year traineeship is or what occupations it is intended to train people for. These are not my views alone. I refer again to the KPMG report. The first of those articles I wrote, the July article, attempted to show that this expensive report helped very little in determining what numbers and therefore what costs would accrue to New Apprenticeships. The second article leaves the numbers aside and goes to what I regard as more insidious aspects, that is, the assumptions upon which those predictions were made. The two that concern me most are two that have already been canvassed today: firstly, a virtual skill development system based upon one-year traineeships with the possibility of some two-year traineeships and, secondly, that the majority of training is expected to be carried out on the job.

The KPMG report produced 60 separate scenarios for growth. Not one of them incorporated any growth in the traditional four-year apprenticeships. The second development about shifting training out of institutions to an on-the-job mode is even more serious, because it is fairly obvious that Australian industry is simply not equipped to deliver training on the job. A few exemplary enterprises in this country have done a wonderful job, but the vast bulk of industry, particularly small industry, is simply not equipped to do that. The trainers you need to do training are just not among the staff of enterprises.

Part of the thrust of this government is to push the training system to underpin the Australian economy so it can be a full player in the global economy. To follow through on that, we have to acknowledge that if we want to be part of the global economy we need to have an eye to best practice in training. This on-the-job move is quite a sad move. In Germany, for example, enterprises are not even allowed to employ an apprentice unless there is somebody on staff with a *meister* qualification. We are a long way short of that in Australia.

There has been some talk by Minister Kemp, repeated today by the DEETYA people, that growth in traineeships or New Apprenticeships is to occur in new industry areas. I have heard this said a number of times but I have yet to hear what these new industry areas are. There does not seem to be any detail. However, we are now in our 20th year straight of five per cent plus unemployment. Employment growth is nowhere to be seen across any industry sectors. In a situation where the government does not have an industry policy, it is difficult to conceive of an industry training policy. If a government cannot pick winners for industry assistance, I find it very difficult to know how it is going to pick winners for increased training effort.

There has been a lot of reference to user choice. User choice can in no way be an answer to turning around apprenticeship numbers, traineeship numbers or any entry level training arrangements—because the first thing that has to happen is that an employer has to be prepared to take on a trainee and/or an apprentice. It is only after that employment occurs that user choice comes into play.

My final point is an observation about the general level of funding for VET or for technical and further education. I do not have the report with me, but there has been a recent report by the ABS on TAFE graduates. There are some interesting statistics. I will stand corrected but I think I can remember the important ones. Of the graduates of TAFE in 1995, 55 per cent

were female, 27 per cent of them came from an NESB background, six per cent had a disability, 1.6 per cent were Aboriginal, and 90 per cent found that they could study without having to leave home.

That is a pretty impressive little bundle of statistics to demonstrate the importance of TAFE in the community and in hitting target groups that I think all political parties would embrace. Anything that is going to impact on TAFE resources will impact immediately on those target groups, many or most of whom will have nowhere else to go.

Senator CARR—Mr Fooks, you have written extensively on these issues. If I might summarise the issues before the committee at the moment in regard to the bill, there is the issue of the adequacy of the existing funding base—that is, whether or not the TAFE system is under-funded. There is the question of the expected demand. There is the question of the so-called efficiencies that can be extracted from the states, and the associated issue of what impact that will have on quality. Then there is the issue of the method of delivery and the extent of privatisation. Would that be a fair summary of the issues, or are there others I have missed?

Mr Fooks—If you care to direct a particular question to me—

Senator CARR—Are they the fundamental questions you think we have to look at?

Mr Fooks—In large part, yes; along with those bundles of issues that I see in relation to New Apprenticeships.

Senator CARR—There is also the question of the delivery and the quality.

Mr Fooks—Yes.

Senator CARR—In your judgment, is it possible to provide the same level of quality with the new traineeships that are being proposed, as compared with the old traditional apprenticeships?

Mr Fooks—I do not want to get too devoted to the old traditional apprenticeship, which was time serving and needed to be changed. But I would be prepared to argue strenuously that, whatever the changes, you cannot collapse four years of structured work experience, training on the job and training off the job into two years. You might be able to truncate it a bit with better teaching techniques and technology, but I do not think you can bring four years back to two.

Senator CARR—Are you aware of any evidence to support the views being proceeded with in this government in terms of basing their vocational system on the new apprenticeship models?

Mr Fooks—No, I am not; and I do not want to be quoted at great length, because I have no educational qualifications as such and we are getting into the pedagogical aspects.

Senator CARR—But you are not aware of any evidence to sustain the claims that we will see an improvement in the training models if we move to these New Apprenticeships?

Mr Fooks—No, I am not aware of that at all. I think it is a response to what is happening out there in the community. People are sitting and watching the decline in apprenticeships and, rather than tackling that question, they are trying to put other options in the way of employers. Rather than trying to encourage them to go the four-year route, they are making it easy to take on people for one year. That is a short-sighted policy. The appropriate way to go is to have an array of one-year, two-year, three-year and four-year courses. I do fear that at the end of the day we could finish up with basically a one-year entry-level training system in Australia.

Senator CARR—I have seen examples, I think it might even be you in terms of work in this area, of a time when an electrician was trained for the whole gamut of electrical work across the whole industry, but under these new traineeships a person undertaking a short course of, say, a year might be an expert in the installation of security systems; they are no longer an electrician as we once knew the term. Do you think that is an adequate description of the differences that are emerging?

Mr Fooks—I do not want to put a blight on all one-year traineeships, because there are some very good ones. The ones that are designed from the ground up to train people for a particular occupation are good. Where I think the trouble begins, and it flows on from my answer to the previous question, is in the face of the inability to get employers to take on a three- or four-year commitment—taking the sort of weak option of unpackaging that four-year program and offering, say, the first year as a traineeship.

The example that is often quoted is the electrical one. I cannot remember the title of the traineeship, but it is known locally as a cable puller. So I think the person who graduates from that will have some occupational health and safety skills and a few fundamental things, but their sole occupational skill will be feeding cables into ducting; whereas that was something a four-year apprentice would have spent some time on in his first year but would have gone a long way beyond that.

Senator CARR—Under those circumstances, would the cable puller's job opportunities be limited?

Mr Fooks—Presumably limited to cable pulling. The rhetoric has it that the person who completes the one-year traineeship can then go on and complete high levels of study. But in an apprenticeship situation that is not the election of the student or trainee themselves. They have to find an employer who is prepared to either offer a new contract of training or continue a contract.

Senator CARR—The secondary issue and I think essentially the core of this argument is the question of demand. In your writings you are saying that the KPMG report has made some fundamental errors in its judgments. Mr Terry Moran recently was quoted at a IIR conference as saying that the number of apprenticeships and traineeships could double in the future, with more apprenticeships in the retail, health and community service industries. Equally, this government is talking about an additional 500,000 training places being found. What do you think of those claims?

Mr Fooks—The KPMG report was unhelpful. It went through some very detailed calculations, but at the end of the day it left very little guidance for decision makers about which course was the one to chart. Where you have projections of increases in trainee numbers of 40 per cent per annum compounding I think just belies reality. I am not aware of Terry Moran's statement. It could well happen that 1 January, when New Apprenticeships is to be officially launched, could come and go without anyone noticing. I cannot see anything actually happening, apart from the hype, that is going to change the fundamental thing in all this—and that is to encourage employers to take on trainees and apprentices.

I do not know what is going to happen between now and 1 January that is going to turn that around. We are going to have a new name. We are going to take existing traineeships and call them apprenticeships. The government has actually reduced employer subsidies. One of the things that the KPMG report and significant research from Western Australia indicates is that the level of employer subsidies is one of the most significant drivers of the numbers employed.

So it seems to me to be a very strange way to launch a new program—to take one of the major drivers and actually reduce the impact of that.

Senator CARR—And that is part of this particular funding package of course, those various employer incentives. How adequate do you believe the funding package is? The states are making a number of comments about that, particularly the claims that the system is underfunded. What is your judgment of the level of funding?

Mr Fooks—I honestly do not know. People play games at the Commonwealth end and state end on all this. Those sorts of games have been played for many years. I personally have no faith at all in these unit costs. I think anyone who works in the trade and particularly the unit cost committee of ANTA knows that it is fairyland.

Senator CARR—So what do you make of the claims that they can fund the existing system by reducing unit cost?

Mr Fooks—It is always possible to do things more cheaply; you just stop doing some things.

Senator CARR—Does that have an impact on quality?

Mr Fooks—It must have an impact on quality. The system is still growing. The average rate of growth for TAFE over the last 10 years has been something like seven per cent per annum. In the last five of those 10 years it is something like 10 per cent per annum. I do not know of any other business or industry in Australia that has grown right through the recession at 10 per cent per annum. So it must be doing something right. To sustain growth at a very high level in difficult circumstances, one would need to ensure that the resources keep pace with that growth. The growth is projected to continue, but I think the best case scenario for funding, as I understand the federal government's position, is not to make any further reductions; it is to keep funding static in a situation of growth. So something has to give.

Senator CARR—In your judgment that has to be the quality?

Mr Fooks—It is hard to see anything else or any other way out. You can do some things more efficiently I suppose, but sooner or later it has to touch on quality. If you are in an institution, the thing you try to preserve most is the face-to-face teaching. You start to look at library acquisitions and cutting back on counselling. You will go through all those things that are not face-to-face teaching and chop them. When you have run out of room to chop, then you start to chop into teaching hours.

There is already evidence—I cannot demonstrate it—that the number of hours delivered inside courses has been reducing for some time. Whether that is for good educational reasons or simply because of austerity measures, I am not sure.

CHAIR—Thank you for appearing.

[1.02 p.m.]

GREER, Mr Anthony John, First Assistant Secretary, Vocational Education and Training Division, Department of Employment, Education, Training and Youth Affairs, GPO Box 9880, Canberra, Australian Capital Territory

MANN, Mr Roderick Glen, Acting Assistant Secretary, Vocational Education and Training Reform Branch, Department of Employment, Education, Training and Youth Affairs, GPO Box 9880, Canberra, Australian Capital Territory

CHAIR—Welcome back, Mr Greer and Mr Manns. Would you like to make any opening statements, or will we go straight to questions?

Mr Manns—Straight to questions, I would have thought.

Senator CARR—How do you respond to the claims made by the AEU that the proposition before the committee at the moment is in conflict with the existing act? Do you have any proposals to introduce further amendments, or is the government planning any further amendments to the bill?

Mr Manns—It is a matter for the AEU to proceed on whatever legal advice it receives, and the committee may wish to seek its own. It is certainly my understanding, from advice that we have had at various times over the past few years in relation to this whole legislative scheme, that the ANTA agreement is a political document which does not have the force of law. Its attachment as a schedule to the ANTA act does not give it the force of law, beyond the few references within the act—which, if you like, bring bits of the schedule in for the purposes of amplification.

In any event, the appropriation of funds by the parliament is the last word on the funding issue. Frankly, I would be surprised if the legal advice were in support of the AEU's position, but that is a matter they may wish to test. To my knowledge the government has no intention of amending the bill as currently introduced.

Senator CARR—Thank you. You have just heard Mr Fooks's comments in regard to, first of all, the question of the growth in the VET sector in the recent past—and there is no indication that that will decline. Mr Fooks's view is that something has to give: if the amount of money being provided as the funding basis remains stable and the activity levels increase, something has to give. The unit cost has to come down or the quality has to come down. How do you respond to those claims?

Mr Manns—I can only repeat that it is the government's view that the growth that is needed can be accommodated by efficiencies, for the immediate future in any event. The bill before the committee only deals with the appropriation of funds for 1998 and 1999.

Senator CARR—It does set in train the triennium funding, does it not?

Mr Manns—It continues the practice—which has been in place for some years—of appropriating funds on a triennial basis, but the bill itself says nothing beyond 1999 at this stage. And I have referred previously to Dr Kemp's offer to the states.

Senator CARR—The KPMG report refers to a number of options there—efficiencies being one and additional moneys being another. There is no evidence that additional moneys are going to be forthcoming, is there?

Mr Manns—As I have said, the bill deals with the period up to 1999. The Commonwealth has made an offer to the states, which would—

Senator CARR—So no further amendments are being proposed in this bill?

Mr Manns—The bill is as introduced. I am not aware of any proposed amendments.

Senator CARR—What bearing will the submission to the cabinet that refers to the access program have on it?

Mr Manns—I have no knowledge of that submission.

Senator CARR—I wonder if you have any knowledge of this, then. In terms of this proposed access program—given that the work for the dole arrangements are coming in and there is a recognition that there is going to be a greater demand on the education and VET sectors, the vocational education sectors being part of that—it says here that it is expected that employer organisations and employers will be particularly supportive because it will reduce

the costs of training an apprentice trainee and will enable them to obtain a fully skilled worker more quickly. Is that part of the—

Mr Greer—We are unable to comment on the documents you have before you.

Senator CARR—Will you take that on notice, please? Is it the government's intention, as outlined in the cabinet submission, to reduce the costs of training an apprentice or a trainee as a result of any actions being proposed by the government through this bill or based on this bill?

Mr Greer—Yes. We will take that on notice.

Senator CARR—The other option that is being canvassed is the increases in student fees and charges. I am wondering what work the department has done on that matter.

Mr Greer—I think that, at the last Senate estimates committee and subsequently, ministers have made it quite clear that neither they nor the department is pursuing work in that area.

Senator CARR—'Had considered' were the words used. As a department, have you considered any deferred payments scheme, HECS style scheme, for the VET sector?

Mr Greer—To my knowledge, no, Senator.

Senator CARR—Mr Manns, what about to your knowledge?

Mr Manns—Senator, I have a feeling—and I have not verified it—that some years ago there was some collaborative work done with the states and territories on the whole issue of fees and charges. I think a HECS type arrangement may have been given some consideration in that context. I think it could be three or four years ago now. I do not think that work proceeded.

Senator CARR—Perhaps I could refresh your memory. I would like you to ask those officers of the department directly, if you could take this question on notice. Has the department, in connection with the government of Queensland, in the last 12 months or since the last election considered the introduction or the proposal for a HECS style scheme, a deferred payments scheme, for the VET sector?

Mr Manns—I have no personal knowledge of that, Senator.

Senator CARR—I am asking you to take that on notice if you do not have any personal knowledge. Was it the case that a joint paper was prepared for the ANTA CEOs, and was it considered by the minister's only meeting? So the first question is: have you prepared a joint paper in DEETYA in Queensland? Secondly, was such a paper considered by ANTA CEOs?

Mr Greer—Senator, is there a time frame on that?

Senator CARR—Let us just say since the minister said that this government has not considered it, so it is in the time of this government.

Mr Greer—Since May?

Senator CARR—Since the election. Thirdly, has such a paper been presented to the minister's only meetings at MINCO in that period? Fourthly, if it has, how does such a claim sit with the assertions put to the committee at its estimates hearings that such papers have not been considered? Could such a paper be provided to the committee?

Mr Greer—We will certainly take those questions on notice.

Senator CARR—Thank you very much. I have another question in terms of the other matters that are being raised. With the proposal benchmarking of efficiencies by the states,

is it still the government's intention to pursue the issue of benchmarking of efficiencies in the VET sector?

Mr Manns—Senator, as I mentioned earlier, there is an agreement by all state and territory ministers and the Commonwealth about how to deal with the issue for 1998, and that is on a bilateral basis. There is produced by the Australian National Training Authority each year an annual national report, which includes as its third volume a report that has become known as the benchmarking report, which does contain information about the relative costs; for example, state by state. The proposal is that that report be produced on the same basis as it was last year.

So, in answer to your question, there will be work under way to provide information on the relative costs in states. As I mentioned earlier, there is no intention to impose an external benchmark or target on any particular state. There is a bilateral process agreed for 1998.

Senator CARR—So there will be no attempt to benchmark against Victoria, will there?

Mr Manns—That could well be a piece of information that is used in the discussions between ANTA and the states and territories, but there is no requirement that every state and territory in 1998 should suddenly move to the costs of Victoria.

Senator CARR—We have heard today a good deal of evidence about the question of the decline in quality as we move to competitive tendering within the VET sector, user choice, privatisation or whatever you want to call it. What work has the department undertaken on the question of quality assurance? How do you know that the level of quality will be maintained under the user choice model?

Mr Manns—The user choice model is to be introduced fully from the beginning of next year, Senator. There is a national agreement to keep the operation of user choice under notice to monitor its implementation. More broadly, I have referred to the benchmarking VET report, which continues each year, which produces a range of information about the quality of the outcomes and outputs of the VET sector. That includes matters such as employer satisfaction, student destinations and so on. All of that information will continue to be monitored.

I suppose the other answer to the question is—and it seemed to be missed in what a number of the earlier witnesses covered in their submissions—that the Commonwealth is working with the states and territories through ANTA to improve the quality assurance arrangements of the VET system in terms of the registration of training providers and the implementation of industry developed and nationally endorsed training packages.

Senator CARR—Does the department have a view on the administrative efficiency of such a model?

Mr Manns—Of user choice?

Senator CARR—Yes.

Mr Manns—The view is that it should not create inefficiencies, if you like.

Senator CARR—I am pleased to hear that. Is there a uniform view within the department on the efficacy of the user choice model?

Mr Manns—I am not sure what you are getting at there. We have not conducted a—

Senator CARR—Is there not different views in the department about how well this is going to work?

Mr Manns—I have not conducted any poll of staff on the matter, but there is a clear policy decision on user choice. It is a collective policy decision by all states and territories, with some

reservations from New South Wales alone. It is not in any sense a policy that the Commonwealth has imposed on—

Senator CARR—Some reservations from New South Wales. I draw your attention to what Phil Honeywood said. In a description of your minister he said, ‘The hypocrisy is there for all to see.’ It is a pretty strong sort of reservation.

Mr Manns—The Victorian government has taken part in the collective decisions of the ministerial council in relation to user choice.

Senator CARR—You highlight the states are obviously unhappy about it. There are a number of states that are very unhappy about it.

Mr Manns—About user choice?

Senator CARR—Yes.

Mr Manns—As I said, all of them with the exception of New South Wales have endorsed the collective decisions of—

Senator CARR—Can you just go through those words again that reinforce that word, because I have a different reading of that resolution?

Mr Manns—Broadly speaking, there was a range of views on some associated matters such as third party access and so on, but in terms of the broad user choice policy, if you like, it is an agreed document.

Senator CARR—Could you just read that section of the motion that says it is an agreed document? Doesn’t it say something along the lines that they agree to look at it—not actually do it?

Mr Manns—I am not sure that I actually have with me here today the full copy of the ministerial council resolutions.

Senator CARR—I could probably dig it out for you. I am just wondering whether or not there was some discrepancy between the states on this issue in terms of the VET policy. They are weasel words, aren’t they? They do not actually commit the states to do anything.

Mr Manns—Perhaps you could read the words to me.

Senator CARR—We will come back to that question. Which states are committed to the introduction of user choice as a matter of policy at a state level?

Mr Manns—My understanding is all of them with the exception of New South Wales.

Mr Greer—And states were to come back to the minco meeting in November with their detailed implementation plans on that.

Senator CARR—We will wait and see that. Presumably we will follow that through at another level. What measures will be taken with the introduction of this particular provision to ensure that there is equity of provision? What action will be taken, for instance, to protect the interests of disadvantaged groups, which are currently well catered for within the TAFE system—such as Aboriginals, disabled persons?

Mr Manns—You are referring to user choice?

Senator CARR—Yes, user choice.

Mr Manns—The implementation of user choice is a matter for each state and territory. That is clearly part of the decisions ministers have taken.

Senator CARR—So, in effect, the Commonwealth is passing it on to the states to deal with?

Mr Manns—No. Again, I have not brought with me today all of the documents I might have brought to a Senate estimates hearing, but there is recognition within the user choice agreed policy statement about access and equity matters and recognition, for example, that in unit costings loadings, for example, can be applied to accommodate access and equity issues. There is a broad collective agreement about the policy, and the actual implementation is a matter for individual states and territories. But there is a recognition within the policy that attention has to be paid to access and equity concerns.

Senator CARR—It goes to the issue of accountability in terms of the measures of moneys that we are asked to provide. Under the user choice model, how will ANTA and DEETYA be able to monitor, hold accountable, the providers in terms of these equity issues?

Mr Manns—We do not have a direct accountability arrangement with individual providers. Our accountability is with states and territories. We have the ongoing monitoring arrangements that feed into the annual national report. The states' plans to ANTA each year will include details on the implementation of user choice. We have the national statistics to identify the trends in relation to people of identified groups. There is a whole range of sources of information we can bring to bear on a consideration of the impact of user choice on particular groups.

Senator CARR—The other issue, as I have mentioned today, is the actual funding envelope for the VET sector. You are still maintaining that there is a growth in funding for the VET sector; is that right?

Mr Manns—Not in the Vocational Education and Training Funding Act; I am not aware of any suggestion that it is other than maintaining the 1998 level into 1999. You may be speaking more broadly.

Senator CARR—What is the total VET budget in this country at the moment?

Mr Greer—Broadly, I understand that it is just under \$7 billion in public and private investment.

Mr Manns—Roughly \$3 billion.

Senator CARR—Three billion dollars in terms of public provision—

Mr Manns—By both the Commonwealth and states.

Senator CARR—of which the Commonwealth is providing about \$900 million.

Mr Manns—Yes, that is right.

Senator CARR—Would you agree that 95 per cent of it comes through the TAFE colleges themselves?

Mr Manns—I am not sure that it is as high as 95 per cent.

Senator CARR—I thought that was the evidence we had today. Would you dispute that?

Mr Manns—I do not have the figure at my fingertips.

Senator CARR—I wonder whether you could confirm that for me, please. It was put to the committee today that 95 per cent is through the VET sector. We also heard that the states clearly have to fund the bulk of the VET programs. Is it your judgment that the submission received from the AEU about the level of underfunding was adequate?

Mr Manns—We have not had a chance to read the submission in its entirety. I must confess that I was a little confused by some of the numbers that were being put to the committee in the oral presentation. For example, there seemed to be some suggestion that likely growth in

one state alone might exceed \$1 billion in the foreseeable future. I am at a loss to understand where that kind of proposition comes from.

The conclusion of the KPMG report, on the balance of probabilities, suggests a relatively modest growth in apprenticeship and traineeship funding as a proportion of the whole. We have already discussed, to some extent, the possible impact of the changes in youth allowance. Again, it would appear to be relatively modest in terms of additional—

Senator CARR—Did you take on notice my question of how many persons who currently receive the dole will be transferring to the VET sector? You gave me an estimate; you were not able to quantify it. Are you able to quantify it?

Mr Manns—I do not think it is possible to quantify it. It is a matter of individual—

Senator CARR—Does the government have no estimate at all?

Mr Greer—We will take the question on notice, Senator.

Senator CARR—If you could, please. I would like to know what the government estimate is.

Mr Manns—I have some difficulty in reconciling those very large numbers.

Senator CARR—I think that that is a reasonable response. It has been put to us—working on the assumption of a cost of \$6,000 per place, and based on 540 hours of TAFE training—that there would be a substantial cost to the states from an additional load being required to be met as a response to the 100,000 places a year the government is seeking. Is that an additional 100,000 places a year?

Mr Manns—We have touched on this before. My understanding is that the 100,000 was an estimate suggested by the minister for the number of additional places it might be possible to derive from the system on the basis of efficiencies. It was not in any sense a target for growth or a demand upon the states for growth of a certain magnitude.

Senator CARR—But if you say 100,000 places is a possibility, surely that would be an additional expenditure of some \$600 million a year, which has to be found from somewhere.

Mr Manns—No, I believe the minister's statement aligned that figure to an estimated \$300 million that might be derived from efficiencies from the system.

Senator CARR—That is at a cost of about \$3,000 a spot.

Mr Manns—Again, it is difficult to tease this out in any detail because I do not know precisely what the minister had in mind.

Senator CARR—ANTA has done a study that suggests that.

Mr Manns—One way of answering your question is to say that the places are across a broad range of types and levels of provision. I think the figure of \$6,000 or \$7,000 relates to an equivalent full-time place. I do not think there was any suggestion in the minister's statement that they were an additional 100,000 full-time places of 720 hours a year, or whatever. It was potentially a mix of different types of provision.

Senator CARR—Mr Moran, in August this year, used the figure of \$7,500 as the average full-time training cost.

Mr Manns—Yes, it is a published figure; it is in the benchmarking report.

Senator CARR—It is a well-known figure; it is an acknowledged figure. What sort of place would it be that provided at some \$3,000?

Mr Manns—A traineeship place, for example, does not involve a student undertaking full-time vocational education and training.

Senator CARR—It is fairly limited at \$3,000 per place. You would not get a lot for \$3,000, I would have thought.

Mr Manns—You certainly get a traineeship. That is my understanding. At the other end of the spectrum, some full-time places cost substantially more than the average.

Senator CARR—For about \$800, you get an on-the-job training place.

Mr Greer—I understand that was an assumption.

Senator CARR—To what extent is the system underfunded?

Mr Manns—There is no suggestion that the system is underfunded. As I have said, the government has provided for growth funding up to and including 1997. For 1998 and beyond, the government believes that further growth can be achieved through efficiencies.

CHAIR—I thank the witnesses for appearing. That concludes this hearing inquiring into this bill.

Committee adjourned at 1.31 p.m.