

REPORT OF PROCEEDINGS BEFORE

GENERAL PURPOSE STANDING COMMITTEE NO. 6

**INQUIRY INTO VOCATIONAL EDUCATION AND TRAINING
IN NEW SOUTH WALES**

CORRECTED PROOF

At Sydney on Tuesday 22 September 2015

The Committee met at 9.30 a.m.

PRESENT

The Hon. P. Green (Chair)

The Hon. L. Amato (Deputy Chair)

The Hon. C. Cusack

The Hon. G. J. Donnelly

The Hon. S. Farlow

Dr J. Kaye

The Hon. D. Mookhey

CHAIR: Welcome to the fourth hearing of the inquiry of General Purpose Standing Committee No. 6 into vocational education and training [VET] in New South Wales. The inquiry is examining a number of important issues facing the VET system in this State, including the Government's Smart and Skilled reforms. I acknowledge the Gadigal people, who are the traditional custodians of the land, and pay my respects to elders past and present of the Eora nation. I also extend that respect to any Aboriginals who may be here today. Today is the fourth of seven hearings we plan to hold for this inquiry.

I will make some brief comments about procedures today. In accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I also remind media representatives who may be present that they must take responsibility for what they publish about the Committee's proceedings. It is important to remember that parliamentary privilege does not apply to what witnesses may say outside their evidence and the hearing. I urge all witnesses to be careful about any comments they make to the media or to others outside the evidence they give, as such comments would not be protected by parliamentary privilege if a person decided to take an action for defamation. The guidelines for the broadcast of proceedings are available from the secretariat.

There may be some questions that witnesses could answer only if they had more time or with certain documents to hand. Witnesses are advised that in those circumstances they can take a question on notice and provide an answer within 21 days. If people in the public gallery want to pass messages to witnesses, please do so through the Committee secretariat. I ask everyone to turn off their mobile phones for the duration of the hearing.

DAVID COLLINS, Executive Director, Market Quality and Operations, Skills and Industry Policy Division, NSW Department of Industry, affirmed and examined:

CHAIR: Welcome, Mr Collins. Would you like to make an opening statement?

Mr COLLINS: Thank you very much for the opportunity. I recognise that the inquiry has been very focused on Smart and Skilled, so I will contain my comments to that. Smart and Skilled commenced on 1 January this year. It has been designed to meet the Government objectives of introducing a demand-based student entitlement up to certificate III, increasing student choice, improving the quality of training provision for government-funded training, ensuring access and opportunity for people in regional areas and for disadvantaged students, ensuring a sustainable TAFE system within a sustainable market and working within a defined budget.

The approach that has been taken to introducing Smart and Skilled is very cautious. It has reflected on the experiences of other States. In New South Wales we have done certain things that have defined this model in light of the experiences of other States, particularly Victoria. The reforms have been introduced with a solid infrastructure to support development of the market. There is a quality framework that sets criteria for entry into that market. There are criteria not only that providers must meet for approval to be funded but also for monitoring the performance of providers. There is a Skills List to define the skills and qualifications that are funded to ensure that they are best aligned with skills needs and job opportunities. There is a transparent price and fee arrangement that supports both public and private providers and supports students to make a choice across public and private providers. The funding model ensures that providers are able to respond to regional demand within defined funding caps that support the Government's objectives of budget management while giving providers the opportunity to respond to local demand.

We commenced at the start of this year with 330 providers on contract. Following six months of implementation there have been some adjustments, notably to improve capacity for employers to access apprenticeship and traineeship training across the State. There have also been some changes that are about improving student access to subsidised training. The NSW Skills Board has commissioned a review of the first year of operation, which is being conducted now. That review will inform future directions for reforms.

CHAIR: Thank you. We will go to Opposition questions.

The Hon. GREG DONNELLY: Thank you, Mr Collins, for coming along today. I have some questions about the relationship between the regulator at the Federal level, the Australian Skills Quality Authority [ASQA], and the NSW Quality Framework. I want to know about the interface between the two, to the extent that you could call it an interface. Do you meet with ASQA on a regular basis to compare notes about private providers in this State, to ensure the best possible examination of them and to ensure that the regulation is being properly applied?

Mr COLLINS: We have a close relationship with ASQA that has been strengthened through the move to Smart and Skilled. ASQA is the regulator for the training sector in New South Wales. There are an estimated 4,500 providers operating nationally. About 2,000 of them operate in this State. ASQA has the ultimate responsibility for ensuring that they deliver quality training. Through the Quality Framework that was introduced for Smart and Skilled, we set criteria in the contracts we have with the funded providers to ensure that we are doing what we can to protect the Government's investment and to see that students who are being subsidised get the skills that they need.

In doing that, we have used ASQA registration and compliance as a threshold. We expect that all providers are compliant with ASQA. That was one of the factors that we looked at in assessing providers for approval to be subsidised. We have established a Memorandum of Understanding with ASQA to share information. We meet regularly. We refer matters to ASQA as needed.

The Hon. GREG DONNELLY: You say you refer matters. Does that include issues that are raised about potential non-compliance or questionable behaviour by providers?

Mr COLLINS: It does include concerns about questionable behaviour by providers. There is a hierarchy. There is compliance with our contract. Non-compliance with the contract may in fact be non-compliance with ASQA's requirements.

The Hon. GREG DONNELLY: Do you have any figures with you today showing the number of complaints about private sector providers that have been made to ASQA?

Mr COLLINS: I do not have the data with me. I will take that on notice. We would refer matters about providers that we fund. We also have had complaints about providers who are operating under VET FEE-HELP. Those complaints we refer both to ASQA and the Commonwealth department that is responsible for regulation of that program.

The Hon. DANIEL MOOKHEY: Mr Collins, I join my colleague in welcoming you and thanking you for your appearance today. With respect to the evidence you have just given about your department's interaction with ASQA, what is the policy reason for ASQA leading the enforcement? Is it that ASQA has the investigative powers and the ability to request documents?

Mr COLLINS: A number of years ago, in 2011, the Government decided to refer its powers of regulation to ASQA. Part of the problem in 2011 was that there were some 2,000 providers operating in the State and the New South Wales regulator at the time could only take responsibility for 1,000 of them. There were concerns that poor quality providers were operating in the State who were not able to—

Dr JOHN KAYE: Because they were based interstate?

Mr COLLINS: Yes. They were being regulated by other States. When the New South Wales regulator said to the regulators in other States, "We have a problem with provider X," the other regulators did not necessarily respond. The Government at the time decided to refer the powers for regulation to ASQA. In establishing the powers of the national regulator, all States collaborated. Some States have stayed out of it, but all States collaborated in developing its powers. Included in that was increasing the powers of entry and seizure of documents. ASQA has powers that the New South Wales Government certainly does not have under its contracts.

The Hon. DANIEL MOOKHEY: Therefore, is it right for us to surmise that the principal power that is reserved for the New South Wales Government is the contract power and the remedies and quality assurance framework that are reflected in the contracts?

Mr COLLINS: That is correct.

The Hon. DANIEL MOOKHEY: Is contract-led enforcement the principal way in which the New South Wales Government, independently of ASQA, is able to ensure quality assurance?

Mr COLLINS: The New South Wales Government is concerned broadly with quality but particularly concerned with what it pays for. The contract is to ensure that it is getting value for money and quality, and that students are getting the qualifications that they need.

The Hon. DANIEL MOOKHEY: Are you able to provide the Committee with any evidence about the contract framework? I understand that contracts can vary between providers, but could you provide an overview of the hierarchy of remedies that are available to the New South Wales Government in dealing with the 330 contractors that you mentioned earlier?

Mr COLLINS: The capacity that we have under the contract ranges from a shot over the bows, requiring providers to modify their behavior, to suspending funding to providers so that we can prevent them enrolling further students and give them time to rectify the situation or the compliance issues. There is also the capacity to cancel the contract, which means they cannot enrol further students. We would need to support the students that they had enrolled to move elsewhere and, if appropriate, require the provider to refund money to the Government for services that had not been delivered.

The Hon. DANIEL MOOKHEY: And the contracts are generally 12 months then?

Mr COLLINS: There is a rolling contract and when we introduce the application, we advise providers that it was likely that the contract would be for three years; so it was not a commitment around that because there were a few uncertainties, but it is a rolling contract. Providers are reviewed on their performance at the end of the first year and all things being equal the contract will be renewed to move into the coming year.

The Hon. DANIEL MOOKHEY: That is roughly 12 months?

Mr COLLINS: That is 12 months.

The Hon. DANIEL MOOKHEY: Great. That hierarchy of remedies that you have just outlined—the shot-across-the-bow option, the suspend-payment option and the cancel-the-contract option—in the first year has the department or the New South Wales Government had to avail itself of the shot-across-the-bow option? If so, how many times?

Mr COLLINS: It has. I will take numbers on notice and I will provide advice on numbers more formally, but it has used that option. It has suspended and it has terminated contracts.

The Hon. DANIEL MOOKHEY: I guess if you undertake the first bit on notice in respect to the numbers, in respect to all three remedies are you able to do the same—for all three?

Mr COLLINS: Certainly.

The Hon. DANIEL MOOKHEY: Wonderful. In respect to the decisions leading up to activate those remedies, presumably that follows either some form of a complaint or some form of an audit.

Mr COLLINS: Yes.

The Hon. DANIEL MOOKHEY: Can you explain to us how that works?

Mr COLLINS: Complaints—fairly straightforward: A student or an employer may make a complaint in which case we will then investigate. We will seek feedback from the provider. We may seek more detail from the student as a basis of then engaging with the provider. We are also monitoring providers. We are requiring them to provide us with data on their activity, on their performance, to back up what our expectations are of their performance. We are also going out and looking at providers. A significant part of the monitoring that we are engaged in with the providers at present is we are taking a sample of students, talking to students and getting feedback from students on their experience, which then informs us, I guess, of where we might want to look in terms of the performance of providers.

The Hon. GREG DONNELLY: Changing direction slightly, can I ask you a question on the issue of charges that are levied by private registered training organisations [RTOs]. If I can put TAFE to one side for the moment, I will concentrate on private providers. It has been put to us as we have travelled around and conducted hearings that there is a sense and a belief, which many people have repeated, that there are no limits on the fees that can be charged by a provider. They can charge what they see the market will bear for courses. What is your response to that?

Mr COLLINS: Within Smart and Skilled, under the subsidised training, there is a regulated fee. There is a set fee for every qualification and that applies whether it is a private provider, a community provider or a TAFE institute. Outside Smart and Skilled in the commercial world, it is a choice of the provider what they might charge for any full fee activity.

The Hon. GREG DONNELLY: With Smart and Skilled, the issue of the fees, is that being considered as part of the review that is being undertaken?

Mr COLLINS: It will be looked at in the second phase of the review. The review is being conducted in two phases. An organisation called the Nous Group has been commissioned by the Skills Board to do it. The first phase has really been looking at the application to approve providers, of the process around that.

The Hon. GREG DONNELLY: When will that report be released?

Mr COLLINS: Advice will be going to the skills board in October on that phase. The second phase is looking at the policy settings more broadly, which will look at price and fee arrangements, and that will be reporting in the first quarter of the new year.

The Hon. GREG DONNELLY: With that first phase, after it has gone to the NSW Skills Board will it then be released, or will it go to the Minister then, who will decide?

Mr COLLINS: It will go to the Minister. It is a matter for the Government.

The Hon. DANIEL MOOKHEY: One aspect of the evidence that we have been hearing is in respect to the payment cycle of private providers—the payment at the start point, the mid-point and completion. Firstly, evidence we are hearing is that from the perspective of the private providers that sequence of cash flow makes it very difficult for them to plan and it is very difficult for them to be able to borrow and to be able to organise business plans for growth. The second aspect we have heard is that also with respect to that payment structure it gives an undue incentive for people to essentially grab the start payment and not necessarily focus on completion as well. First of all, I would like a general response to those two propositions but given that we have very limited time, specifically whether or not you have data on completion rates by each of the 330 contractors that are on there, and whether or not any aspect of that provides a trigger or a threshold for the investigation or the audits that we were talking about earlier.

Mr COLLINS: In terms of data on completion rates, it is probably fairly preliminary, given that we are really only six to eight months into the system at this stage. But as a point of monitoring, completion rates are something that we would look at. If looking at a provider's data we saw that there was this high turnover and very low levels of completion, that would be something that would cause us to go and look at their performance. Completion rates were a factor in the assessment. In establishing the contract, we looked at past performance under previous contracts and completion rates.

Dr JOHN KAYE: Mr Collins, at the beginning of 2015 you allocated a number of entitlements caps for a variety of providers. Is it correct to say that a number of those allocations under caps have not been used?

Mr COLLINS: Across the board there are providers who have not met their caps.

Dr JOHN KAYE: Could you give us an indication of your anticipated spending for 2015 and how much of that has not been spent because of providers not taking up those caps?

Mr COLLINS: I would take that question on notice as well.

Dr JOHN KAYE: Can you give us a rough estimate so we can do some useful work here today?

Mr COLLINS: I would not want to put a figure out that might be misconstrued.

Dr JOHN KAYE: You are reallocating that money currently, are you?

Mr COLLINS: We are managing the budget to ensure that we are maximising enrolments.

Dr JOHN KAYE: And you are handing that money out as entitlements, or are you handing it out as cash?

Mr COLLINS: We are not handing out as cash.

Dr JOHN KAYE: So it is as entitlements?

Mr COLLINS: We are managing across the range of providers and we are looking at where there are providers who have met their caps and where there might be capacity to adjust between providers that have not met their caps.

Dr JOHN KAYE: We had evidence in Newcastle on Friday from a provider who said suddenly your organisation said—they had not any allocations under Smart and Skilled; no caps, zero caps—as they put it, "Oh, here's some money", but it might have been, "Here's some entitlement. Go and spend it."

Mr COLLINS: What we did—

Dr JOHN KAYE: Could you explain that to us?

Mr COLLINS: I can explain that. There has been an adjustment to the model to support apprenticeship and traineeship delivery. For apprentices and trainees, the relationship between a provider and a

student is a little bit different because there is also an employment relationship. There are employers who take on apprentices under training contracts. We made an adjustment that was about increasing the capacity of providers across the State to meet apprenticeship demand. You may know that the caps have been allocated on a regional basis. The Government had very strong feedback from industry sectors that the nature of the allocation of apprenticeship caps was not enabling them to do what they need to do because their preferred providers got caps in some regions and not others.

A decision was made to make an adjustment that did two things: One was to ensure that all providers of apprenticeships and traineeships that were on the contract were able to meet demand across all the regions where they told us they had demand. But also we went to those providers who had met the quality criteria of the application but, because of our initial budget position, were not able to be funded. We offered them the opportunity to take a contract.

Dr JOHN KAYE: Were you given more money to do this, or were you reallocating unused caps?

Mr COLLINS: We are working within our estimates of the budget.

Dr JOHN KAYE: So it is all about reallocating existing caps?

Mr COLLINS: It is about managing caps.

Dr JOHN KAYE: I am sorry, entitlements.

CHAIR: Was it the reallocation of caps money?

Mr COLLINS: It was managing within the overall caps.

CHAIR: No, that is not the question. Was it the redirection of caps money?

Dr JOHN KAYE: The unused caps.

CHAIR: It is a very clear and direct question.

Mr COLLINS: There is some funding that is available through underutilised caps that has given us confidence to do this.

Dr JOHN KAYE: And on notice you will give us the dollar amount there and the number of entitlements there?

Mr COLLINS: I will give you budget information.

Dr JOHN KAYE: No, that was not my question. I am asking you: When you did this reallocation, what percentage came from unused entitlements?

Mr COLLINS: I will endeavour to give you the answer to that.

Dr JOHN KAYE: Thank you very much. Can I move to another issue now: In January-February when you were working at the allocation—or actually earlier than that last year when you were working out the caps—a certain percentage of those caps went to TAFE institutes. How did you set the percentage that went to TAFE institutes?

Mr COLLINS: The TAFE institutes were assessed against the criteria, as were other providers, and there was a process of determining across the range of providers how much each should—what proportion each should get.

Dr JOHN KAYE: With respect, Mr Collins, you did not answer my question. How did you determine what percentage went to the TAFE providers, the TAFE institutes? Was that a policy direction from government, or was it a decision that magically popped out of your model? How is that set?

Mr COLLINS: Within the model there is a process of ensuring market sustainability, so there is a proportion of the funding that was allocated, based on, I guess, not creating upheaval within the market. There was a process of determining what the proportional share might be between public and private providers, and that was a base.

Dr JOHN KAYE: So there was a proportion in the model that said a certain percentage will go to TAFE.

Mr COLLINS: There was a proportion that said, between public and private, this will be the share; and over and on top of that, each of the institutes competed and was awarded—

Dr JOHN KAYE: Who determined what that percentage would be? Was that a policy decision of government, or was it a bureaucratic decision of Mr Collins and his organisation?

Mr COLLINS: It was a policy decision of government.

Dr JOHN KAYE: So government told you what the percentage would be. Government told you that TAFE would get a certain percentage of Smart and Skilled funds?

Mr COLLINS: Government endorsed the model for the allocation of funding that included a proportion within that for market sustainability.

Dr JOHN KAYE: What was the percentage that government told you had to go to TAFE?

Mr COLLINS: It was a proportion of 50 per cent of the funding. I would have to go back and check the specific details.

Dr JOHN KAYE: So 50 per cent was your stability numbers, and some proportion of 50 per cent had to go to TAFE. They told you, of that 50 per cent, a certain percentage had to go to TAFE. Is that correct?

Mr COLLINS: It was based on existing market share. I do not have the precise detail of it.

Dr JOHN KAYE: At that stage Minister Piccoli told you or gave you an instruction, or you asked him and he told you, "This percentage of 50 per cent, that is for market stability"—the non-competitive 50 per cent as it were—"will go to TAFE"?

Mr COLLINS: One of the requirements was to ensure that there was stability and so a process was developed under the allocation to ensure or to support that stability, and that was approved as part of the funding arrangements.

Dr JOHN KAYE: Okay. Mr Collins, you are determined not to answer my question. We will move on.

The Hon. CATHERINE CUSACK: So rude.

Dr JOHN KAYE: That 50 per cent figure, that market stability percentage, is that determined by you or could the Government change that to 40 per cent, or 30 per cent, or 20 per cent, or are there plans to change that stability percentage?

Mr COLLINS: That was something that applied to the initial allocation. We have run that allocation, or the initial application. We have run that application. From this point there will be a review of provider performance and decisions will be made about—

Dr JOHN KAYE: If I may interrupt you, there is no guarantee next year that 50 per cent will—

Mr COLLINS: There is a different process that will apply to next year, which is that—

Dr JOHN KAYE: And can you—

The Hon. CATHERINE CUSACK: Point of order: The rapid interruption in the questioning is making it impossible for the witness even to get one full sentence out. I do understand there is some latitude, but this is ridiculous.

Dr JOHN KAYE: I do not think that is true. I think we are getting through a lot of work here, which is good.

CHAIR: Order! Dr John Kaye has limited time and he is trying to ask direct questions. I am listening very carefully to Mr Collins' answers and they are somewhat—

Dr JOHN KAYE: And Mr Collins will feel free to interrupt me.

CHAIR: —evasive, on occasion, of the direct answer the member is after. I appreciate that he is trying to—

The Hon. CATHERINE CUSACK: Can we just hear the full sentence before we form a judgement about the answer?

CHAIR: I think sometimes it is just to do with a figure.

Dr JOHN KAYE: Mr Collins, where we were at that point was that you said there was going to be a new process next year. Could you, in a sentence or two, describe what that new process will be?

Mr COLLINS: I think I said earlier that we are operating on a rolling contract. So the contract was established through the application. For next year it will be a process of looking at the performance of providers and determining whether their contract should be rolled over. The process that you have questioned related to the initial application. At such time as there is a new application, consideration will be given to what the policy settings for that application should be.

Dr JOHN KAYE: So in the ongoing adjustment of allocations there is no protection for TAFE?

Mr COLLINS: Under the entitlement application, TAFE is being funded based on its performance.

CHAIR: Dr Kaye, I am sorry but I need to interrupt at this point because I have a couple of questions myself.

Dr JOHN KAYE: Please do, and thank you for the time.

CHAIR: Mr Collins, what was the qualification of the person assessing the criteria of the registered training organisations [RTOs]?

Mr COLLINS: The assessment was conducted by a steering group and a review team. They were informed by various levels of expertise, among them somebody with an extensive vocational educational and training [VET] background and a VET quality background.

CHAIR: Sorry to interrupt, but would it not be fair to say that if you were assessing a plethora of applications—because you did have a lot to assess—then one of the first fruits you would look for in an RTO would be their completion rate? It shows that students can confidently complete the courses.

Mr COLLINS: And we did.

CHAIR: That is interesting because it is contrary to the evidence we heard last week from a provider in the Hunter. They said that that was not considered. We heard evidence from Passmore College, which had a 90 per cent face-to-face teaching approach and a 90 per cent completion rate. The other one was quite high too—I think it was a childcare provider. Yet at least part of the evidence from one of those providers was that the completion rate was not considered whatsoever. This particular provider was writing books and supplying teaching material. They did not qualify. In the last couple of months around \$30,000 suddenly appeared to host some positions. It just seems that an irregular assessment may have taken place on that criteria given the fact that this provider is held in high regard and is producing material for other bodies that are well regarded. Yet

they missed out on funding. Then suddenly they were mysteriously ticked off. So someone overlooked something somewhere.

Mr COLLINS: I stand to be corrected but I do not believe that Passmores College actually applied.

CHAIR: No, it was not Passmores College. This was another institution.

Mr COLLINS: You referred to Passmores College in your question.

CHAIR: Yes, I did; I was talking about their 90 per cent completion rate.

Mr COLLINS: Passmores College did not apply.

The Hon. CATHERINE CUSACK: The other institution was a childcare centre. Mr Chair, it is just that you have merged the two pieces of information into one case.

CHAIR: The one I am talking about is the International Child Care College. Once again it has a high completion rate and had written material for other colleges which were being widely used. Suddenly it was ticked off just a couple of weeks ago and qualified for \$30,000 more.

The Hon. CATHERINE CUSACK: Point of order: Mr Chair, I do hate to take a point of order but I wonder if you could break that down into different questions.

CHAIR: Okay, Mr Collins, can you articulate to the Committee how the International Child Care College was in the situation where it missed out at that first pass of the criteria?

Mr COLLINS: I can answer that, and I would also like to comment on the point about completion rates. In terms of the International Child Care College, it went through the assessment as all other providers did. It is a three-phase assessment. The first phase looked at their organisational capacity and their compliance with the regulator. The second phase looked at a number of things, including their compliance with our contract—which looked at their completion rates. So it looked at their performance. They passed both of those stages. So they met the quality criteria for the application. They were then assessed on a regional basis for funding for qualifications. The qualifications that they are delivering are very competitive. They were assessed against a number of other providers, and there were other providers which ranked more highly. So with the available budget that was allocated for the delivery of children services or early childhood education and care qualifications they were not the most highly rated and they were not awarded a contract.

CHAIR: But they were writing material that was used by other providers that got approval.

Mr COLLINS: I have been advised of that.

CHAIR: Do you not think that that is unusual?

Mr COLLINS: Against the criteria on which they were assessed, and against which other providers were assessed, they were not the most highly ranked. The mystery around the allocation to them is not particularly mysterious. The Government responded to strong views from industry—the industry wanted more capacity around apprenticeships and traineeships. So the Minister announced changes in the process, which enabled providers who had met the quality criteria but had not been awarded a contract to be offered a contract.

CHAIR: Mr Collins, I want to move on to question time for the Government members. Do you acknowledge that the criteria must be flawed given the fact that you overlooked such a significant organisation with such significant qualifications? Suddenly it was then ticked off and they had some more money in the bank from your department?

Mr COLLINS: The criteria are part of the review that the NSW Skills Board has commissioned. So it will make an objective assessment of whether the criteria for the application were appropriate. The Auditor General looked at the process beforehand and was supportive of that. On the process, I do want to say that it was not just a whim of giving funding to providers. The provider was asked if it wanted a contract. It said yes. It was given a cap and then asked if it wanted to demonstrate whether that cap was adequate to meet demand. So it was not just a case of giving them a cheque and saying, "Here you go." There was a process where the provider,

having met the quality criteria, was offered the opportunity to take up a contract, which it accepted. It was offered the opportunity to tell government how much demand it thought it would experience.

CHAIR: I encourage you to read that evidence we took in the Hunter.

The Hon. CATHERINE CUSACK: Mr Collins, just echoing the concerns raised by Mr Chair, I would like to unpack your answer a bit more. You said that the decision was made by the Skills Board. We have heard that there was an algorithm used to conduct the assessments, is that correct?

Mr COLLINS: There was an online assessment, and the online assessment had some weightings within it. So that was part of the process. The process was oversighted by and driven by an evaluation team and a steering committee.

The Hon. CATHERINE CUSACK: Was there an algorithm used to calculate the values that were given through the online submission?

Mr COLLINS: They were weightings to aspects of that application.

The Hon. CATHERINE CUSACK: Mr Collins, was that an algorithm or not?

Mr COLLINS: It is a formula—

The Hon. CATHERINE CUSACK: Can we please—

Dr JOHN KAYE: Point of order: Mr Collins was about to say something when the Hon. Catherine Cusack spoke over the top of him.

CHAIR: Mr Collins, once again that was a direct question and it was pretty simple. You are obviously an educated man. Was it what the member asked or was it not?

The Hon. CATHERINE CUSACK: He answered that. He said it was a formula. So I am moving on to my next question, if that is okay with The Greens. So the Board would have taken advice, surely, on its decision from officers in the department, is that correct?

Mr COLLINS: The Board was not managing the application. The application was managed within the department.

The Hon. CATHERINE CUSACK: Can we get a copy of the formula that was used?

Mr COLLINS: You can certainly get a copy of the application.

The Hon. CATHERINE CUSACK: No, my question is: Can we get a copy of the formula, please?

Mr COLLINS: I will take that on notice.

CHAIR: And the methodology used.

The Hon. CATHERINE CUSACK: The other issue related to the feedback process for unsuccessful applicants. People who had historically been funded and been very successful were stunned to be unsuccessful in this instance. I take it that historic funding was not a factor in the formula that was used. We will find out after you have considered that question on notice. The issue is whether good feedback was given to them and whether any lessons have been learned from this process where so many organisations are at a loss to understand why they missed out on funding.

Mr COLLINS: Feedback was provided to providers. Providers were given the opportunity to meet to get feedback and they were also given a feedback report. That report was designed to give an indication of how their application had been assessed relative to other providers that applied.

The Hon. CATHERINE CUSACK: Sure, but was there any evaluation of the feedback process? It seems there was enormous dissatisfaction with it. I wonder if the Government has conducted any evaluation as to whether or not the feedback process used was adequate.

Mr COLLINS: We have not done a formal evaluation. It is one of the factors that will be looked at as part of the review that is being conducted at the moment. On the level of dissatisfaction, we have reflected on the way in which we communicated around that.

The Hon. CATHERINE CUSACK: Who is doing that review at the moment?

Mr COLLINS: The Nous Group.

The Hon. SCOTT FARLOW: Just to pick up on that, when do you expect that review to be completed?

Mr COLLINS: The first stage of it will be reporting to the Skills Board in October.

Dr JOHN KAYE: Is that phase one?

Mr COLLINS: Yes, that is phase one. There will then be a second stage, which will be reporting early in the new year probably around March.

The Hon. SCOTT FARLOW: I think you said that originally there were around 330 providers that received contracts when Smart and Skilled commenced, is that right?

Mr COLLINS: Yes, that is right.

The Hon. SCOTT FARLOW: How many providers in total are there in the market in comparison to that 330?

Mr COLLINS: We understand that there are over 4,000—something like 4,500 nationally. We understand that about 2,000 of those are operating within New South Wales.

The Hon. SCOTT FARLOW: How many current providers are there for Smart and Skilled at the moment?

Mr COLLINS: There are just over 400.

The Hon. SCOTT FARLOW: We have heard some stories of people now receiving allocations and entitlements. What has been the motivator for more people to be on the list now? Has that been through some of your assessment processes? Has it been through additional expressions of interest that you have received? What has added to that total?

Mr COLLINS: Providers went through the three stages of assessment. There were a number who met the quality criteria but whom we were unable to fund, such as the International Child Care College. They were effectively on a waiting list. In relation to apprenticeships and traineeships, a decision has been made to offer contracts to those who are on that list. One of the motivating factors around that is about increasing capacity to meet employer demand for apprenticeships and traineeships. Also in terms of budget management, the employment relationship is one of the things that might control numbers there and see that there is not likely to be a budget blowout by adding additional providers.

The Hon. SCOTT FARLOW: As we travel around we have been hearing some horror stories, which I will say are unverified, about private providers. I am interested in your organisation's role and how you manage quality in that process and manage the outcomes.

Mr COLLINS: We have a contract with each of the providers that we fund. The contract gives us the capacity to monitor their performance, and to require them to provide us with data and to provide us with the opportunity to come and look at what they are doing. It also gives us mechanisms that we can use to either stop funding or cancel contracts, and to require them to basically change their behaviour if that is appropriate. I think

I said earlier that as part of that process we are talking to students and getting feedback from students about their experiences to inform how we are tackling that issue.

The Hon. SCOTT FARLOW: Through that process, how many of the private providers have you found to be not up to scratch in percentage terms?

Mr COLLINS: I could not give you the precise percentage. It is a minority of the providers who are on contract that we have had issues with.

The Hon. SCOTT FARLOW: When you say "a minority" are we talking about a 49 per cent minority or a less than 5 per cent minority?

Mr COLLINS: We are talking at the other end of the scale to the 49 per cent minority.

The Hon. SCOTT FARLOW: So it is very small amount effectively? It is a miniscule amount effectively.

Mr COLLINS: There is a handful we have been working with.

The Hon. LOU AMATO: Taking up from Mr Farlow, have any employers raised concerns regarding the level of skills being delivered by private providers?

Mr COLLINS: I am not aware of employer complaints about the training outcomes under the subsidy.

The Hon. LOU AMATO: Are you finding more students opting now for private providers? More inquiries into it? More people applying for private providers?

Mr COLLINS: Looking at the performance, there has been a continued demand for training within TAFE. We certainly have not seen a rush of enrolments from TAFE to the private sector.

The Hon. LOU AMATO: Has your department received any complaints about affordability or students not having the capacity to pay thus they are unable to enrol in courses?

Mr COLLINS: We have had feedback about the fees, the introduction of the fees, and the Government has recently made a decision to put a cap on fees for trainees in the same way there is a cap on fees for apprentices. It has announced that it has put a cap on fees of \$1,000 for traineeship qualifications, which is recognising that there has been a response from employers and students about the cost of fees in that area.

The Hon. LOU AMATO: Has your department received any complaints about private providers not offering the types of courses that are expected?

Mr COLLINS: We have had some issues about private providers, about their delivery so, yes, we have.

The Hon. LOU AMATO: How was that dealt with? You can take that on notice if you wish.

Mr COLLINS: It is dealt with through our monitoring and investigation of that and, if necessary, taking sanctions against those providers. The responses range from, as I said earlier, requiring a shot across the bows to get them to improve, to using things like suspending their contract so they cannot continue to enrol until they rectify the situation, if that is appropriate, or otherwise cancelling or terminating their contract.

The Hon. SCOTT FARLOW: What does a "shot across the bows" involve? Is it a letter, is it a phone call?

Mr COLLINS: It would be a letter.

The Hon. SCOTT FARLOW: So it is a nasty letter saying pick up your game.

Mr COLLINS: It needs to be a formal process rather than a phone call saying there are issues.

The Hon. SCOTT FARLOW: How extensive is that process? You send them a letter. Is there then a more stringent process of evaluation of the services they are providing, or is it just the letter and then you move on? What is that process in terms of the follow-up?

Mr COLLINS: If we move to take the step to write to a provider we will then follow it up.

The Hon. SCOTT FARLOW: How do you follow that up?

Mr COLLINS: We would schedule to go and look at the provider, to see what they are doing or to require them to report to us at a particular time on the measures they have taken to rectify the situation.

The Hon. CATHERINE CUSACK: So the shot across the bows is a letter and a visit, is it?

Mr COLLINS: It may be a visit. It depends on the situation.

The Hon. CATHERINE CUSACK: Do you have actual documentation of that process that you would undergo or is it just completely at the discretion of the officer?

Mr COLLINS: We can provide advice if you want to see advice on our processes.

The Hon. CATHERINE CUSACK: Or the guidelines for how you follow up those matters?

Mr COLLINS: Yes.

CHAIR: When will the report on the Nous review be in?

Mr COLLINS: The first stage of the review will be reporting to the Skills Board in October and the Skills Board will then give advice to the Minister. Phase two will be reporting I think in March.

CHAIR: Thank you for your evidence.

The Hon. CATHERINE CUSACK: Is it possible to get the terms of reference for the Nous report?

Mr COLLINS: Yes, certainly.

Dr JOHN KAYE: We have it. You gave it to us already.

CHAIR: We have that. Thank you. Your evidence has been helpful, hence the tough questioning. We believe that some cracks exist and we are obviously trying to find out what is being done about that. You have 21 days to answer any questions taken on notice, and we will forward further questions, given our time constraints this morning.

(The witness withdrew)

PAM CHRISTIE, Managing Director, TAFE NSW, affirmed and examined:

CHAIR: Would you like to make an opening statement?

Ms CHRISTIE: Thank you for the opportunity to address the inquiry and to talk about the important role that TAFE NSW plays as the public provider in the vocational education and training sector in New South Wales. TAFE is Australia's largest provider of vocational education and training and has a proud track record of responding to the changing needs of students and industry over many decades. I think relevant to this inquiry is that there are profound changes in our operating environment and TAFE is working to respond to some of those changes. I think it is well documented that our economy now needs higher level skills as our whole economy becomes more globally competitive and digital disruption is impacting on the many industry sectors we serve, including the education sector itself. So to remain relevant in this environment TAFE is embracing change—change to the way we offer services to students, the types of courses we are offering and the pedagogies that we use.

We are working differently with employers, more in a partnership approach. As our environment becomes more competitive we are also focusing on how we as a provider can be more responsive to our customer needs but also operate more efficiently. Our policy and funding environment has obviously been impacted by Smart and Skilled, and I am sure that will be the subject of some discussion this morning. But the Government has made a public policy statement about the role of TAFE as the public provider in this environment—the Government's statement of owner expectation for TAFE—and I might refer to that document in some of my responses.

CHAIR: Can you table that document for us?

Ms CHRISTIE: Yes, happy to do that. We did undertake comprehensive stakeholder consultation back in 2013 in the lead-up to some of the Smart and Skilled changes. The results of that consultation were very informative in that it showed the very high value that communities place on TAFE. The news poll results were outstanding—97 per cent of people surveyed said that TAFE was delivering value, services that were highly valuable to industry and communities. But the survey also identified a number of ways that TAFE needed to change to provide more convenient, more flexible and more accessible services, and certainly some of the findings of that consultation have driven our reform agenda in recent years.

The Hon. SCOTT FARLOW: Thank you for making yourself available today. I am interested in an article that appeared in the *Daily Telegraph* on 13 August 2015. I do not necessarily believe everything I read in the paper, even with a paper of such repute, but one of the points made in that story was about TAFE teachers salaries in comparison to other professions and other States. That article claimed that a TAFE teacher is paid \$78,442 starting out for a 35-hour week. Is that figure correct?

Ms CHRISTIE: I do not have those figures in front of me, but I can tell you that all of that data is on our website. We have established a site to support our enterprise bargaining with our unions and teacher representatives.

The Hon. DANIEL MOOKHEY: I am wondering whether Mr Farlow would be willing to table the story.

The Hon. SCOTT FARLOW: Yes, I am happy to do that. I do not have it on me but I can get it.

Ms CHRISTIE: What is relevant perhaps is that as part of our current enterprise bargaining we are looking at our competitiveness in terms of other providers, other TAFEs and other private providers that we compete with. We highly value our teachers. They are highly professional staff and they are well remunerated, and we value their services. But we are looking at ways of ensuring that we remain competitive. I guess that information we would see as relevant information to engage with our staff and other stakeholders around the bargaining context.

The Hon. SCOTT FARLOW: In the analysis you are undertaking, what are you finding in regard to your competitiveness with both the private sector and with similar institutions in other States?

Ms CHRISTIE: We do know that our costs are 30 per cent to 50 per cent higher than some of our competitors but what we are focusing is how we can introduce more para-professional roles, if you like—assessors, education support officers. We have been conducting a trial over the past 12 months in consultation with the teachers union to look at how we can better provide support to students. As our student needs are changing more of our students are studying in the workplace or online; so to have a teacher go in to support a student who might be an individual or in a small group in a workplace, or studying in a small study centre or even from their own home would not be cost effective. But the trial to date—and it has been independently evaluated—is showing some positive findings about how we can still maintain a very high quality delivery, which is what TAFE is proud of and part of its brand and reputation, but also by still valuing the professional role of the teacher as part of a team of professional educators supporting the students in a more diverse way.

The Hon. SCOTT FARLOW: So having a cost base of employees of 30 per cent to 50 per cent higher than other competitors or other States, how did TAFE in New South Wales get to that position?

Ms CHRISTIE: For many years TAFE has been part of the Department of Education and I know for many years TAFE teachers salaries were aligned to schoolteachers' salaries so there is some history there that is relevant to that question.

The Hon. SCOTT FARLOW: In the reforms you are undertaking now to make TAFE more competitive, I think you were quoted in that article as saying that pay and conditions would not be affected in terms of employees. What are the other things you are looking at in being able to address that competitive imbalance, so to speak?

Ms CHRISTIE: We are looking at how the hours that teachers work are best deployed to support learning in the current context but we are also looking to introduce para-professional roles, as I mentioned—the assessor, the learner support officer but also a new role of trainer. These are all issues that we are discussing in the bargaining room. They are proposals and they are still under discussion. But we have made those proposals quite transparent to our staff. As I mentioned, we have established a website where all of those proposals are there. I have been going around the State meeting with staff, talking with our staff about some of these proposals. I guess what we want to do is to encourage all of our staff to come up with innovative ideas about how we can remain the quality competitive provider that we are but within a more competitive environment that we are now operating in.

The Hon. SCOTT FARLOW: If TAFE were to continue as it was, am I right in the view that TAFE will be just completely unsustainable in this State?

Ms CHRISTIE: The question relates really to the policy settings we are operating in, so at the moment we are operating in the Smart and Skilled environment with a regulated price for the Government-subsidised training and the Government also provides operational-based funding and community service obligation funding to support TAFE's role. Partly that is in recognition of some of the historical high costs for TAFE. I think the Government has also made it very clear that TAFE is expected to operate more efficiently and be less reliant on government funding, so we are very much focused on trying to look at ways of being more efficient so that we can be a sustainable and successful business into the future.

The Hon. SCOTT FARLOW: As we have travelled around in this inquiry we have heard—and I think the unions have made this comment previously as well—that there has been a significant drop in TAFE enrolment numbers. Can you actually tell us what the enrolment numbers are and how they compare with, let us say, over the last three years or at least prior to the introduction of Smart and Skilled?

Ms CHRISTIE: There has been an impact on enrolments this year—and it was projected in the budget this year—of an 8 per cent reduction in enrolments, which translated to around 43,000 enrolments. There are a number of reasons for that change. The pattern of enrolments has changed with the introduction of Smart and Skilled so where previously some students were co-enrolled in a learner support enrolment as well as a vocational program, that is now counted as one enrolment. That is one of the reasons for the impact.

We also have more students studying in higher level qualifications so that results in fewer enrolments than the shorter lower level qualifications but we did see an impact of Smart and Skilled in terms of student eligibility for government supported places and we also had some major system impacts that had an impact on enrolments earlier in the year. It is very hard to pinpoint. I will say one more thing: just the competitive

landscape. Probably universities had as big an impact on competition as private providers would have in the environment that we operate in.

The Hon. CATHERINE CUSACK: Has the increase of the school age had an impact on TAFE enrolments from school leavers?

Ms CHRISTIE: Yes, it has. We have worked very closely with the school sector to support the raising of the school leaving age and a lot of students who traditionally would have come to TAFE perhaps to complete their School Certificate, we are working very closely with the school sector to try to encourage those students to remain at school. In the transition period when the school leaving age was first introduced some years ago we have and continue to still support students who may not be suitable or successful in a school environment to still undertake a certificate II qualification. So there was some transition funding that facilitated, if you like, that transition to a higher school leaving age.

The Hon. CATHERINE CUSACK: That was transition funding for TAFE, was it?

Ms CHRISTIE: It was early school leaving age, yes.

The Hon. CATHERINE CUSACK: Can I just ask, and perhaps you might like to take it on notice, if you could describe the impact it has had on TAFE at the time and ongoing? That would be very interesting to the Committee.

Ms CHRISTIE: I think what it has done is to encourage the pathway through to TAFE to be more vocationally focused and to ensure that students who really need to complete their basic skills education remain in schools.

The Hon. CATHERINE CUSACK: I do understand the impact on the students. I am actually interested in the impact on TAFE enrolments.

Ms CHRISTIE: On TAFE enrolments?

The Hon. CATHERINE CUSACK: On TAFE, yes?

Ms CHRISTIE: We have certainly seen some adjustments in the qualification profile that TAFE delivers and I would be happy to provide that on notice because we have been shifting more to a profile—

The Hon. CATHERINE CUSACK: Thank you. We are really short on time, if you do not mind. I wanted to find out about the National Disability Insurance Scheme [NDIS], how you see that impacting on TAFE and whether or not the NDIS will see disabled students bringing funding into TAFE? How that is going to work.

Ms CHRISTIE: Certainly the NDIS provides a great opportunity for TAFE because TAFE has a great deal of capability in this area. We support around 45,000 students with a disability annually and we are proud of that track record, so I think there are opportunities for students but there is also opportunity for TAFE in training the qualifications for providers to service the needs of disadvantaged people as well.

The Hon. CATHERINE CUSACK: Again you are welcome to take this on notice but we are really interested to understand how TAFE is engaging at a policy level on the NDIS. I know there is a lot of opportunity and there has been a lot of work on disability but if you can give us something more specific about the NDIS. It is profoundly impacting a number of agencies and portfolios. I am really keen for those details in relation to TAFE.

Ms CHRISTIE: I will probably take that on notice but I can say that we are putting a strategy together and I am aware of individual institutes all collaborating to share some of that information so that we can put that forward in a more coherent strategy, so I can provide more detail about that.

The Hon. CATHERINE CUSACK: Do you see a disabled student enrolling in TAFE as bringing funding for TAFE as part of the NDIS?

Ms CHRISTIE: Yes, there are certainly opportunities going forward but I cannot provide the details for you now.

The Hon. CATHERINE CUSACK: If you could provide on notice any of the agencies and how you are engaging with the disability agencies, even nationally, what government arrangements are in place to ensure the best outcomes for clients of the NDIS and the best outcome for TAFE?

Ms CHRISTIE: I would be happy to take that on notice.

The Hon. LOU AMATO: Would you be aware that TAFE has to help more students with regards to basic skills? Have you noticed an increase over the last few years?

Ms CHRISTIE: TAFE plays a very important role in providing literacy and numeracy and general education. That is the area you are referring to?

The Hon. LOU AMATO: Last week during the inquiry one of the other TAFE colleges asked students the question—there were a range of students present—"Do you feel school lets you down in regards to your reading, writing and numeracy?" It would be fair to say that 80 per cent of students put their hands up. My question is: Has TAFE increasingly had to help students with their basic skills?

Ms CHRISTIE: I think it is a relevant question as the skill requirements of the economy increase then we also see a higher level of literacy and numeracy required, so for an apprentice, for example, even though often apprentices now are completing—

The Hon. LOU AMATO: I am talking about basic skills; I am talking about reading and writing.

CHAIR: Literacy and numeracy.

The Hon. LOU AMATO: Yes, just the basics.

Dr JOHN KAYE: Foundation skills.

The Hon. LOU AMATO: As a former small business owner I have had kids who have been near completion of their HSC who cannot read and write properly.

Ms CHRISTIE: Well, literacy and numeracy has always been an issue. I cannot make a comment about whether it is increasing or not but I can tell you that TAFE has a lot of capability in delivering—

The Hon. LOU AMATO: Perhaps you can take that on notice as you might have numbers somewhere to suggest whether or not it has been increasing?

Ms CHRISTIE: We do assess our students' literacy and numeracy capability when they are entering a vocational course so that we can provide the right level of assistance but it is not a standardised test. It is more the level of skills appropriate to the qualification.

CHAIR: So you do not collect data on that?

Ms CHRISTIE: It is not a standardised test; it is more a needs assessment but I could give you some anecdotal evidence.

CHAIR: That would be helpful.

The Hon. SCOTT FARLOW: From the data you are referring to, you would probably be able to extrapolate how much per year you were assessing over a certain period of time compared to enrolments, would you not?

Dr JOHN KAYE: No, because it is not a standardised tests it is hard to do that.

Ms CHRISTIE: No, but in terms of delivery of foundation programs, literacy and numeracy programs, some of those programs are funded by the Commonwealth and not in all cases we have tended to deliver, for example, the Skills for Education and Employment program [SEE]—

CHAIR: Yes, I was going to say, for Aboriginal and Torres Strait Islanders that would be specifically Commonwealth funded?

Ms CHRISTIE: There are different funding sources for different programs but we do deliver foundation programs as part of State government funding that also provide literacy and numeracy support.

CHAIR: I make a statement first:

To support its Smart and Skilled policy, the NSW Government implemented a new software system, known as the Student Administration Learning Management (SALM) and Education Business System (EBS) into TAFE campuses in October 2014. The SALM/EBS system was clearly not ready for implementation in TAFE colleges. To date, TAFE NSW has not resolved the myriad of serious flaws in the system that include students not receiving their results or receiving incorrect testamurs and students not receiving information that could allow them to re-enrol or complete their courses. Many courses are not listed on the TAFE website nor advertised as available through TAFE which means many potential students are unable to access correct information about courses being offered leading to a loss of potential enrolments.

This evidence we have received is causing great frustration, criticism and disappointment from those who have to deal with the system. We realise that the new Minister has inherited this issue but can you estimate what the dysfunction of this system has cost TAFE NSW?

Ms CHRISTIE: Thank you for the question. Yes, the SALM or Student Administration Learning Management system was part of the LMBR program, the Learning Management Business Reform program, and it was delivered to TAFE in October 2014. That date was delayed so we had limited time to adjust that system to the Smart and Skilled environment. The SALM program was never designed to meet the Smart and Skilled business requirements because the business requirements were specified before the Smart and Skilled requirements were known. I guess we knew we would be facing a challenge in that enrolment period and we did put a lot of resources and a temporary application called the TAFE enrolment application to assist in the Smart and Skilled requirements for that enrolment period.

We did experience significant problems with the new system. When it was delivered during the warranty period we had not tested the full enrolment cycle because it was not a period where the full enrolment cycle could be tested and as a result we have found that we had a number of defects occurring in the system that meant that it continued to be unstable for some period of time. The situation did have an impact on our students and our staff and that was acknowledged. I made a public apology to students and staff at that time and we have put in place a series of strategies and resources to support our students and staff as much as we possibly can. Those efforts are ongoing because while the system is somewhat more stable now, there are still gaps in the functionality of the system and in fact the Smart and Skilled requirements continue to change, so that is somewhat challenging.

CHAIR: Did you go back to the Minister or go through the necessary process and give feedback that this system was not appropriate and doing what it was employed to do?

Ms CHRISTIE: We have provided weekly reports.

CHAIR: Who did you report to about this system?

Ms CHRISTIE: Initially to Minister Piccoli early in 2015 and since Minister Barilaro became the Minister for Skills—

CHAIR: I think he has inherited this but can you table for this inquiry the cost, monetary wise, you have poured into this broken system from day one, the financial cost, not just the man hours that you would have put into this for people to fix this or try to work around; the students apparently who were getting pass marks on this when they had not even done the test or something like that, according to the evidence?

Ms CHRISTIE: No, I can say that although there was a problem initially with the issuing of testamurs, that was very quickly resolved and I can confidently say that all students did receive their correct testamurs and we have not had an ongoing problem with testamurs for our vocational education and training students. That

issue was an issue. It was caught out and it was addressed but there certainly have been some ongoing issues with other aspects of the system, particularly as they relate to the Smart and Skilled requirements.

CHAIR: I know in my business, when something went wrong on the computer, it took my time and probably my wife's time. It was man hours, which equalled to dollars, and then I had to buy software or get someone to fix it. It all added up to hours and dollars. I want to know what has been the full cost to date to fix those issues.

Dr JOHN KAYE: On the Educational Business System [EBS], when were you first informed by an institute director or by management of any institute that there might be a problem going ahead with using the EBS software for the enrolments in 2015?

Ms CHRISTIE: We were very aware of risks of the EBS—

Dr JOHN KAYE: Sorry, Ms Christie, I asked you a specific question. When were you first informed by an institute director or management of an institute?

Ms CHRISTIE: To answer the question, I think I need to explain that when we accepted or were given the system, there was an assessment of risk in respect of severity of risks, but it was in early January when we were implementing the system that we became aware of the instability of the system. Initially it only appeared to be what we expected were teething problems, so we were not aware in those early days in January—

Dr JOHN KAYE: No institute director wrote to you in 2014 and raised issues?

Ms CHRISTIE: I talk to institute directors every day. In fact, in early January we were having daily meetings with institute directors to monitor the risks and the situation, and that has continued. We still have twice weekly meetings on systems. I had one this morning.

Dr JOHN KAYE: When did you first inform the Minister that you thought there was a problem?

Ms CHRISTIE: The Minister was briefed on a number of occasions—

Dr JOHN KAYE: What was the first date?

Ms CHRISTIE: I would have to take that on notice.

Dr JOHN KAYE: Thank you. At any stage did you contemplate that you needed to not go ahead with using EBS?

Ms CHRISTIE: Yes, in early 2014—

Dr JOHN KAYE: Early 2014?

Ms CHRISTIE: It was early in the year when we knew there would be a further delay of the system that, through the TAFE board, we took some advice on whether there was an alternative path, knowing there was some risk associated with proceeding with a late delivery of a solution so close to the implementation of other changes.

Dr JOHN KAYE: Those other changes you are referring to is Smart and Skilled; you needed the new software for Smart and Skilled?

Ms CHRISTIE: That and also we needed an enrolment system that was fit for purpose. We did not have an enrolment system that talked to our finance system, if you like, so we could operate our business efficiently.

Dr JOHN KAYE: That fit for purpose was Smart and Skilled? You had a system that worked in 2014.

Ms CHRISTIE: The legacy systems that we were operating under for many years had been banded, if I can use that term, and were overdue for a refresh.

Dr JOHN KAYE: But they would not cope with Smart and Skilled?

Ms CHRISTIE: Certainly, no.

Dr JOHN KAYE: What percentage of the revenues of TAFE for this year is operational base funding [OBF]?

Ms CHRISTIE: Operational base funding is part of the Treasury formula that provides the budget for TAFE.

Dr JOHN KAYE: I understand that, but I want to know the percentage.

Ms CHRISTIE: I cannot give you that percentage.

Dr JOHN KAYE: Roughly?

Ms CHRISTIE: I would say it is included as part of our Government grant of \$1.3 billion.

Dr JOHN KAYE: The \$1.3 billion does not include the money you get from Smart and Skilled, from Mr Collins' organisation?

Ms CHRISTIE: It does include the entitlement funding.

Dr JOHN KAYE: If we take the entitlement funding out, you are left with the operational base funding, your community service obligation [CSO] funding and student fees. Can you give this Committee a rough idea of the breakdown of those three components?

Ms CHRISTIE: I would not like to mislead the inquiry. I do not have the breakdown in front of me.

CHAIR: Could you provide them?

Dr JOHN KAYE: Could you provide them on notice?

Ms CHRISTIE: Yes, I could do that.

Dr JOHN KAYE: I take this question from an earlier answer you gave to a Government member. Have you been told by the Government that the operational base funding is likely to decrease in future years?

Ms CHRISTIE: The operational base funding is a formula and it takes into account some of our higher costs of being a Government provider. My understanding is that is revisited on a regular basis and, yes, the expectation of Government is that we reduce our reliance on that operational base funding.

Dr JOHN KAYE: So that operational base funding is set on your costs. Your 3 September 2015 teachers and related employers enterprise bargaining agreement full proposal would further reduce the costs of providing TAFE instruction?

Ms CHRISTIE: Through bargaining we are looking to achieve efficiencies so we can be competitive.

Dr JOHN KAYE: If you do that, then your OBF will get smaller?

Ms CHRISTIE: That is not my understanding of how—

Dr JOHN KAYE: Your previous answer to me, Ms Christie, is that the OBF is there to recognise a higher cost in TAFE. I have read the documents. Your enterprise bargaining process is heavily orientated around reducing costs in TAFE. Does it not mean, therefore, following your previous two answers, your OBF would be reduced if you are successful?

Ms CHRISTIE: That is a decision for government to make.

Dr JOHN KAYE: Surely, Ms Christie, you plan for these things. You are in charge of a \$1.3 billion a year enterprise. You would be looking at the way the Government is going to respond and reducing costs will result in the OBF being reduced?

Ms CHRISTIE: Reducing our costs would make us more competitive, not only in the area of Government business but also in the other markets that we operate in—in our international student market and in many, many other areas of business where we price competitively.

Dr JOHN KAYE: How big are those markets?

Ms CHRISTIE: That is around \$580 million of revenues that we gain through commercial operations and fee-for-service activities.

Dr JOHN KAYE: On top of the \$1.3 billion?

Ms CHRISTIE: Yes.

Dr JOHN KAYE: We have to be careful because some of those revenues are fees received in respect of Smart and Skilled and other partially subsidised Government courses.

Ms CHRISTIE: Yes.

Dr JOHN KAYE: And VET FEE-HELP, so you have not really given me the answer.

Ms CHRISTIE: I did not come here today with a detailed breakdown of the budget.

Dr JOHN KAYE: We will put questions on notice to get those, Ms Christie. I will go to the issue of reduction in hours in TAFE courses. We were at Belmont and we were given an excellent tour of the electrical technology section by some excellent professional teachers. The observation was made to us that daily hours have been reduced from eight to seven under Smart and Skilled, and next year it will likely be reduced down to five hours. That is a substantial reduction. Have you heard from any employer bodies that they are concerned about reduction in hours and the impacts that that will have on the quality of training and the impact for trainees who are coming through the TAFE system?

Ms CHRISTIE: I regularly engage with employers and I have spoken to employers about changes in delivery, particularly of apprenticeships, if you are referring to apprenticeship models.

Dr JOHN KAYE: Apprenticeships in particular but other employers as well.

Ms CHRISTIE: There are a number of reasons we changed the way we deliver hours. One of them is cost pressures—that is, the Smart and Skilled fees and prices puts pressure on our budget and the amount of time we can allocate to delivery, but we are absolutely looking at how we can maintain quality in that environment.

Dr JOHN KAYE: Ms Christie, I will interrupt you because we are into the Opposition's time. Could you take the rest of that question on notice?

Ms CHRISTIE: Sure.

The Hon. DANIEL MOOKHEY: Thank you, Ms Christie, for your appearance. I want to pick up on an earlier thread that Dr Kaye laid out, and particularly your answer that it is your anticipation, and presumably that of TAFE, that over time TAFE will become less reliant on the base funding and more reliant on the funding that it derives from its market activities. Given, therefore, that TAFE's reliance will shift more towards the Independent Pricing and Regulatory Tribunal [IPART] model of cost entitlement, do you consider the IPART model to be perfect? Do you think it picks up accurately all the factors that are related to the provision of the education that you provide and, if not, how do you think it should be adjusted? Relating to that, the 15 per cent disability loading of which we have heard evidence about does not capture the cost of providing the magnitude of services that TAFE has historically provided. Do you think that the IPART has got that right?

Ms CHRISTIE: TAFE participated in the IPART review of pricing. We worked very closely with the IPART and shared a lot of information about our costs. That was down to head teacher level. The IPART acknowledged the contribution that TAFE made as part of that process. Do I think they got it right? No, obviously some areas we would argue were not—

The Hon. DANIEL MOOKHEY: Can you specify?

Ms CHRISTIE: Plumbing was one area. We put forward submissions to the IPART and the department at the time because we did not believe that the pricing for plumbing had taken fully into account the cost of delivering that qualification. I guess the Smart and Skilled review gives us an opportunity to revisit some of those issues, particularly the loadings and the CSOs, and TAFE is focusing its submission to the Smart and Skilled review on those areas that we think the pricing levels may need to be adjusted.

The Hon. DANIEL MOOKHEY: And the disability loading?

Ms CHRISTIE: Yes, the disability loading has been an area that has been contentious. TAFE also gets CSO funding to support its range of student services, including disabilities. It is a bit difficult sometimes to divide one source of funding and another.

The Hon. DANIEL MOOKHEY: But the system is based on not being able to properly structure that division. Whilst I accept there are other levels of support that may well assist with respect to disability, I am asking specifically about the 15 per cent loading on the IPART. Do you think that is adequate or does it need to be adjusted?

Ms CHRISTIE: We are looking at that area. I cannot give you a view on that right now, but we will address it in our submission. We are changing the way we deliver disability support and I think that is relevant to that question about whether the 15 per cent loading is adequate. If we did not use some of the modern technology approaches to supporting students with a disability, I would say absolutely no. If we were relying on one-on-one support or, in some cases, some of our students have two aides supporting them during their learning process, but, again, the loading is not designed to fully cost an individual's support; it is pooled for a group of students.

The Hon. DANIEL MOOKHEY: The substance of TAFE students will be expressed in the forthcoming review?

Ms CHRISTIE: Yes, and it is an area we are looking at closely.

The Hon. DANIEL MOOKHEY: I am looking at some of the adjustments TAFE has to make as it shifts towards a competitive market environment. I want to talk specifically about consolidation of TAFE properties. In the year 2015-16 is TAFE currently contemplating any divestment, sale of campuses, consolidation of sites?

Ms CHRISTIE: TAFE is developing a comprehensive strategic asset management plan. That plan is a longer term plan, but it is comprehensive in respect of looking—

The Hon. DANIEL MOOKHEY: Would it include—

Ms CHRISTIE: Yes, it includes consideration of divestments and investments. We have a very large property portfolio and a lot of our facilities are under-utilised. We have some vacant land that is not required and we also have an ambitious plan to reinvest.

The Hon. DANIEL MOOKHEY: Is the reason that some of this land that was previously required is no longer required because of the 43,000 drop in enrolments you mentioned earlier?

Ms CHRISTIE: No, I do not believe any of the properties that we are giving consideration to in respect of divestments are to do with enrolment drops. More relevant is that our whole business service delivery model has shifted over time. Ten years ago, 90 per cent of our training was delivered in a classroom or campus-base facility. Now it is around 60 per cent of our delivery, and that is dropping. A lot of those facilities may have been owned by the TAFE Commission for a very long time and some not used for extensive periods.

The Hon. DANIEL MOOKHEY: Two things arise from that. The evidence is that essentially the assets were under-utilised either as a result of mismanagement or some other reason?

Ms CHRISTIE: Sorry, but I did not say it was mismanagement. I said they were not required.

The Hon. DANIEL MOOKHEY: We had a huge estate that was not used for a period of time and now we have decided to get rid of it. Is that just a choice we woke up and made?

Ms CHRISTIE: In many cases we have invested in our facilities to make them more fit for purpose and that might be consolidating points of delivery into a—

The Hon. DANIEL MOOKHEY: With respect to many of the campuses that the media has reported as being subject to sale—Belmont campus, Dapto campus—among others—

The Hon. SCOTT FARLOW: We have already heard that the Belmont campus is not for sale.

Dr JOHN KAYE: Part of it is.

The Hon. DANIEL MOOKHEY: Part of it is.

The Hon. SCOTT FARLOW: An unused part.

CHAIR: Order!

The Hon. DANIEL MOOKHEY: Have you undertaken any modelling on the effect that will have on local enrolment and the impact that the contraction or the shutdown of the facility will have on the community?

Ms CHRISTIE: Yes, the plan that we are undertaking has comprehensive modelling of the impact on students and on the way services are being delivered or will be delivered in the future. We are taking account of investment in other facilities. We are taking into account transport availability for students.

The Hon. DANIEL MOOKHEY: Are you able to table that modelling or otherwise provide us information on its results?

Ms CHRISTIE: We can certainly answer specific questions about specific locations. If we are looking at an institute that might have anything up to 19 or 20 campuses and if one of those campuses may no longer be considered viable into the future what we are looking at is how in fact those services in that institute may be delivered in places other than campuses. They could be in local community centres. I was in the Riverina yesterday.

The Hon. DANIEL MOOKHEY: These are the pop-ups?

Ms CHRISTIE: Not necessarily pop-ups. It could be through local libraries in partnership with local councils. We are looking at different ways of students accessing training. Our vision is to expand our delivery points, not to contract them, but not to have large campuses or under-utilised campuses.

The Hon. DANIEL MOOKHEY: Presumably if such training was to be provided in what could loosely be called non-traditional venues are you guaranteeing that the quality of the education provided in those venues will be of a similar standard, and is that independently verifiable?

Ms CHRISTIE: I am very confident in the quality. We are putting a lot of focus on that. I know there have been questions about the pop-up. I went to one of those pop-up sites in Tweed Valley in the North Coast. The pop-up was in a workplace. It is not like it is replacing a normal classroom environment. It is a quarry site and there are students that are studying vehicle training on site. It was a classroom environment to allow them to do some of the theory on the job, basically. That facility could be moved to another workplace in the future. It is certainly not replacing campus facilities.

The Hon. GREG DONNELLY: Returning to your comments about the Educational Business System [EBS], I think you indicated that it was recognised at the time that there were some risks associated with its implementation. What was that risk and how was it calculated or quantified?

Ms CHRISTIE: As part of the go live process the Learning Management and Business Reform [LMBR] program has a defect test in terms of the severity of various defects in the system. I am not a technological expert but I do know there are severity one, two and three defects. I also know that when the system went live it was within the industry standard tolerance for defects in the system during the warranty period. That is the risk assessment of how well the system itself would function. There are obviously risks that we undertook in terms of the impact on the business of running and enrolling students in TAFE.

The Hon. GREG DONNELLY: What were those risks?

Ms CHRISTIE: They were risks around the ability to enrol students particularly through the Smart and Skilled new fee arrangements. Particularly for transitioning students it was very complex.

The Hon. GREG DONNELLY: How was that quantified? What was the risk that you were actually staring at?

Ms CHRISTIE: The risk was that the EBS system would not accommodate the Smart and Skilled business requirements. To mitigate that risk we developed an application that I mentioned earlier, the TAFE enrolment application, which was like the front end if you like. From the students' perspective they were just enrolling in TAFE. It did require our staff to do a workaround to be able to manage that data to flow through to the EBS system, but it was the strategy we put in place to the best of our abilities to mitigate the risks of those systems early in the year.

The Hon. GREG DONNELLY: Who provided you with the advice that that was the best way to proceed?

Ms CHRISTIE: We got external consultants to give us advice about options going forward and they certainly supported the approach we took. But there were technical experts also available to assist us in the development of those systems.

The Hon. GREG DONNELLY: The trajectory over time is that the operational base funding will decline for TAFE. Has there been some planning and work done to look at the next financial year or the next cycle to see what we can expect the operational base funding to be?

Ms CHRISTIE: We are still working through the details of our budget but in our budget there was a projection about the revenues that we may be successful in winning through the Smart and Skilled entitlement contract. That is an estimate in our budget.

The Hon. GREG DONNELLY: What was that, just remind me?

Ms CHRISTIE: I am looking for that figure. I do have it here but I will have to give that to you. It was around \$360 million or something in the order of that.

The Hon. GREG DONNELLY: You can take that on notice.

Ms CHRISTIE: It does require us winning those contracts and delivering the student outcomes as part of that contract.

The Hon. GREG DONNELLY: What is the preceding number? What is the current number for the current year?

Ms CHRISTIE: This year is a six-month period so we are talking about \$190 million. That was the estimate in our budget for entitlement revenues.

Dr JOHN KAYE: For the first half of this calendar year?

Ms CHRISTIE: Yes. But, again, that is not guaranteed funding. That is an estimate of the revenues that we may be able to attract through the Smart and Skilled entitlement program. But unless we enrol the students and deliver the outcomes then our expectation is that those figures would be adjusted.

The Hon. GREG DONNELLY: Downwards?

Ms CHRISTIE: Upwards maybe. There is no guarantee that we would get more money but that is the process that all of our institutes do in negotiating with the Department of Industry. If they do have excess capacity they would like to negotiate an extension of their cap. That is possible under the current contract and that process is happening at this time.

CHAIR: That concludes the time for questions. I will make some observations before the short adjournment. We spent some time at Lismore TAFE, where we were exposed to evidence from a student who has been deaf all his life. It was fantastic to see the way that he was assisted to go through the pathway of learning through TAFE. He was absolutely thrilled by the role that TAFE played in his life. I give full credit to TAFE there. We have been exposed to a lot of other students throughout TAFE. I thank you for hosting us at those TAFEs and the ones we are about to visit. It has been great to see that many vulnerable people have got on a pathway to learning through the Skills for Education and Employment program, which is fantastic.

I acknowledge the Hon. Lou Amato for his comment about the importance of TAFE. It is in many ways the working class's university. We do not underestimate the importance of TAFE. As the rector over TAFE NSW, you are very fortunate to have so many passionate teachers and students that have given their life to this cause and who see it as so important to the future of education across New South Wales. You ought to be very proud of those people. Many organisations would love to have such passionate people fighting for them. Finally, you have 21 days to answer the questions you took on notice. You may be given more questions from the inquiry. The Committee secretariat will help you if you need any further assistance. We thank you for your evidence. Please enjoy the rest of the day.

Ms CHRISTIE: Thank you for your comments. I can assure you that I am very, very proud of the wonderful, passionate staff right across TAFE NSW.

(The witness withdrew)

(Short adjournment)

JOHN BARILARO, Minister for Regional Development, Minister for Skills, and Minister for Small Business, before the Committee:

CHAIR: Minister, thank you for coming along. I note that you do not need to be sworn in as you have already sworn an oath to your office as a member of Parliament. Do you have an opening statement that you would like to present?

Mr JOHN BARILARO: Yes, I would like to do that and put forward the vision of this Government in relation to vocational education and training. The New South Wales Government wants to see more people trained through the vocational education system—through TAFE and other providers—so they can get jobs, build careers and own their own business. Since becoming the Minister for Skills I have met with TAFE teachers and students, private training organisations, industry groups, employers, unions and small businesses and my message is the same: while training organisations are important, students are my focus.

More needs to be done to encourage young people into trades. To date the direction of the Government's efforts into vocational education have been to: direct more government funding to students, not institutions; build a modern, flexible and efficient public system in TAFE NSW; and offer students greater choice about where, when and how they study. Moving skills into the Department of Industry, Skills and Regional Development is a sign of this Government's commitment to creating jobs and workforce of the future.

The new State priorities include improving apprenticeship completion rates to 65 per cent—an ambitious target, but one which I hope the outcomes of this inquiry can help us reach. I look forward to this inquiry making a positive contribution to the role that parents, schools, industry and government play in helping to create a strong and sustainable vocational education sector.

In 2012 New South Wales signed up to the National Partnership Agreement on Skills Reform, which committed us to an environment of greater competition and contestability for government funding. The agreement requires States to make sure that public providers, such as TAFE NSW, can operate effectively in an environment of greater competition, in recognition of the important role TAFE plays in our community. To date, the reforms in New South Wales have been measured. We have put in place a number of controls to ensure the best use of Government funding, to maintain budget neutrality and to protect TAFE from rapid exposure to the market.

The process has included creating a skills list and targeting Government subsidies and courses that are likely to lead to jobs. Government subsidies are now attached to students rather than to training organisations. Student fees are regulated to ensure that quality, not price, helps customers to choose where they prefer to study. A new quality framework has been put in place. This is a screening process to ensure that all the training organisations providing government-subsidised training meet quality benchmarks. This year, 2015, is a critical year for skills reform in New South Wales. The 2015-16 budget includes funding to support 510,000 subsidised places and a \$107 million capital expenditure program for TAFE—\$46 million for ongoing major projects and \$61 million in new major works.

This is the first year of Smart and Skilled, and there have been mixed results. Our focus on funding courses which maximise job prospects has resulted in a 36 per cent increase in 2013-14 in diploma level and higher qualifications. Data for New South Wales from the Innovative Vocational Education and Training Institute shows that trade apprenticeship commencements grew by 5.6 per cent in the first six months of this year, compared to the same period last year. TAFE NSW enrolments are forecast to decrease by 2.7 per cent. That is a challenge, but it is in line with the national decline. Enrolments in private providers are not performing as expected.

Smart and Skilled is a policy that needs to be flexible and responsive to industry needs, student needs and community needs. As I have met and listened to industry, employers, and students, I have taken their comments on board and introduced several changes to Smart and Skilled. These include extending the geographic boundaries for 250-plus providers so that employers have a greater choice of training provider for apprentices and trainees. This move is likely to unlock a further 47,000 training places for apprentices and trainees in 2015-16. There is \$48 million for fee-free scholarships to help 200,000 disadvantaged young people to access training under Smart and Skilled. More than 5,000 students have already taken up these scholarships since 1 July. There is \$10 million to support the National Disability Insurance Scheme workforce, providing an

additional 2,000 subsidised training places in higher level qualifications, certificate IV and above, in the health and community services sectors, including disability services, community services, AUSLAN and aged care.

Further changes include capping traineeships at \$1,000, making more than 85 per cent of the current traineeship qualification on the New South Wales Skills List cheaper for students in 2016, with an average saving of \$1,128. People with disability will have unlimited access to fee-free subsidised training. There is \$10 million to fund pre-apprenticeship and pre-traineeship programs for school leavers, with training in key industries, including construction, electro-technology, automotive and hospitality, and supported commencement in these industries in 2016.

We have opened up access to subsidised training at the foundation skills and certificates II and III levels, provided it is on the Skills List, for people with a certificate IV or higher qualification, enabling them to reskill for a new career. From 1 January 2016, we will be investing \$25 million in the jobs of tomorrow, through our science, technology, engineering and mathematics [STEM] scholarships, and providing \$8 million to help young people in regional areas, with tailored support to stay connected with education or find sustainable employment. I thank the committee for the opportunity to appear at this inquiry. I look forward to its findings contributing to a strong and sustainable vocational education system in New South Wales.

Dr JOHN KAYE: Point of order: Could the Committee ask the Minister to table his opening statement? A lot of information was presented quickly.

CHAIR: Are you happy to do that, Minister?

Mr JOHN BARILARO: Yes, I am happy to table the document.

CHAIR: Thank you. I will ask the secretariat to make copies available to Committee members. The Opposition will lead the questions.

The Hon. GREG DONNELLY: Thank you, Minister, for coming along this morning. Minister, in your opening statement you referred to contestability being part of the framework that we are looking at. Will you elucidate your thinking about how that contestability will expand over time? Given that we are in year one, we can look ahead over a four-year forward estimates period. What are your thoughts about the coming period?

Mr JOHN BARILARO: It is a good question. If the question is trying to find a percentage breakup or a balance of what should and should not be contestable, there is no clear answer. As the market evolves and changes, we continue to put in place the policy framework to support more students. We know that private providers play an important role in areas where the TAFE footprint does not reach. The level of contestability will be determined over time as we continue to implement the efficiencies in TAFE that allow it to compete.

The Hon. GREG DONNELLY: I take it from your answer that contestability will only be able to be seen by looking in the rear vision mirror over time, as opposed to forecasting and looking ahead. Is that your submission?

Mr JOHN BARILARO: Definitely. If you look at what is happening right now, TAFE competes in the contestable market, with the support of the Government, and TAFE is still winning 80 per cent of that market. If you use that as a mark of where we are going in the future, I am confident that the reforms to TAFE and the support that the Government puts in place will make sure that TAFE is fit for the future and can compete in a contestable marketplace. It will be in a position to compete for the lion's share of funding in a competitive market that is changing every day. Look at the data to date: TAFE still picks up 80 per cent of the market.

The Hon. GREG DONNELLY: What areas are you referring to specifically?

Mr JOHN BARILARO: In relation to vocational education and training, in the contestable component of that funding, when competing with the private sector—

The Hon. GREG DONNELLY: That is looking at the current 12 months.

Mr JOHN BARILARO: That is correct.

The Hon. DANIEL MOOKHEY: Minister, is it the Government's policy intent that, over time, the predominant amount of TAFE's revenue will come from the contestable market as opposed to base funding?

Mr JOHN BARILARO: If you look at the TAFE budget historically, from 2007 to today, the amount in direct grants from Government is about \$1.3 billion. It has stayed within that ballpark over that time. Over that period TAFE has increased its commercial activities. Its commercial activities are not just the contestable bucket of money. This inquiry is looking at ways forward, not at the detail of past spending. We had the opportunity to look at that in budget estimates. My understanding is that the revenue from Smart and Skilled, the fees that TAFE collects from students under the Smart and Skilled contracts, is about \$160 million. Then the additional fees that it gets from commercial—

The Hon. DANIEL MOOKHEY: I am sorry, Minister—just to clarify the question: I understand. I am not necessarily trying to go into the details as you describe it, but what I am asking you is that we have just heard evidence from the managing director of TAFE that she is planning for the revenue mix of TAFE shifting away from base funding towards the contestability of the market. She says that on the basis of policy direction in respect of the Government. I am just wondering whether that is the case and whether the direction has been given by the Government, or not.

Mr JOHN BARILARO: No. The policy direction of this Government is to make sure that TAFE is efficient, strong and able to compete in a very competitive marketplace. Of course, fundamentally we want to see TAFE increase its commercial revenue from a wide range of fees and activities around childcare and around product, and of course would like to see more activity on a commercial basis.

The Hon. DANIEL MOOKHEY: Thank you, Minister. We have also heard in respect to the contestable funding that obviously the Independent Pricing and Regulatory Tribunal [IPART] has a very big role in determining the extent to which that model determines price and how much money is available in that market. Is the Government currently standing by the current IPART model? Are you contemplating any changes?

Mr JOHN BARILARO: The IPART model was in relation to fees and the cost of delivery through looking at TAFE's cost of delivery and looking at its workforce, looking at its business model, looking at its heritage buildings and its assets base. It determined a price, a fee, in relation to a regulated fee structure under Smart and Skilled in New South Wales.

The Hon. DANIEL MOOKHEY: So the Government's contention is that IPART got it right?

Mr JOHN BARILARO: Well, if you look at what our response was in relation to fee structure from IPART, we actually set the fees lower than what the IPART recommendations were at the time, taking into account where we were coming from and where the fees would take us. For me, no, it is not a question of right or wrong; IPART plays an important role; it has the evidence in front of it; it has the information to make determinations around the fee structure; it takes into account, as I said, the cost of delivery through TAFE; and the Government then responds to it.

The Hon. DANIEL MOOKHEY: In respect to that response, do you think that the 15 per cent loading for disabilities that IPART puts on top is adequate and enough?

Mr JOHN BARILARO: When we talked about the loading for disability and the loadings that we talk about for regional and rural communities, and if you look at what we have also just recently announced when it comes to students with disabilities, we are actually now saying that students with disabilities have free access to vocational education and training in this State as of 1 January. Those costs are determined by IPART. As I said, they have all the information relevant for them to make decisions. We take advice. We look at that determination and we make decisions as a government.

The Hon. DANIEL MOOKHEY: Minister, I want to go back to one aspect of your opening statement in which you said, I think, that you believe the enrolments in the private sector were less than I guess you presumed or otherwise were forecast. Is that because of the price?

Mr JOHN BARILARO: Well, no. I think when you embark on a new program under Smart and Skilled and you have a range of policy settings in place and the private providers pick up contracts with those policy settings in the framework that we have set up, what we do as governments—and we have got to recognise that sometimes settings are not right and therefore that is why we have made those adjustments. If you look at

what we have done since I became the Minister in March-April of this year, I have had the opportunity to have a look at the data that is coming in, engaging with private providers, engaging with TAFE, engaging with industry and also taking into account some of the trends nationally in the decline in a number of enrolments in a number of areas. We have had to make some changes. That is what those announcements are made in the past month were about—addressing what were maybe playing to the impediments for enrolment. None of them have really been, except for the traineeship price, around prices. It has been around other blockages or impediments.

The Hon. DANIEL MOOKHEY: Other Government policy settings? What are they?

Mr JOHN BARILARO: We made, for instance, an announcement last week where we have now remove the prequalification criteria. We recognise that for about 35,000 students in this State, by not being able to access subsidised training because of a previous or prior qualification which excluded them, it did impact on enrolments when you looked at previously a portion of enrolments, each and every one of those that are reskilling, and when you take into account some sectors of the economy that are in decline. There is an obligation to make sure that we are subsidising the training in an area of reskilling. So we have made that announcement where, again, we have removed that prequalification criteria.

The other part of that, of course, is that we had CAPS on regions for private providers where they were able to train—you know, talking to industry, customers, businesses that have a footprint in parts of the State—but they were unable to get access to their preferred provider because of the regional CAPS we put in place. We made that announcement very early in the year after becoming Minister in relation to apprenticeships and traineeships. That opened up 47,000 places. I do take note that some of the policy settings of Smart and Skilled have impacted on some of the decisions of students and providers in offering places, but you have also got a put that on the backdrop of the national data that nationally across every State we are seeing a decline in a number of areas. We have an opportunity under Smart and Skilled, with the flexibility it offers me as the Minister, to actually embark on making those adjustments where there is need, and that is why we have aligned with industry.

The Hon. DANIEL MOOKHEY: Minister, can I just ask you to move forward: Is it the sum total of the position you have just put forward that in your view price has not benefactor at all in the enrolments in either the private sector or, I might ask incidentally, in respect to TAFE?

Mr JOHN BARILARO: When you look at the fee structure in New South Wales across—and we are talking about a subsidised fee structure—and compare it to other jurisdictions, it is in the same ballpark. We are in line.

The Hon. DANIEL MOOKHEY: No, Minister. That is not what I am asking you. I am asking you whether or not it is your contention that price has had no impact on enrolment in either TAFE or the private vocational education sector?

Mr JOHN BARILARO: But if you are talking about price we also offer, again, 200,000 fee-free scholarships in this State, yet we have seen some enrolments there.

The Hon. DANIEL MOOKHEY: You have not answered my question, Minister.

Mr JOHN BARILARO: If you look at too, in relation to the impediments that we are hearing from industry and from students, it has been around those blockages that we have made announcements around. The area where we have looked at price is traineeships because the cost of delivery is less than an apprenticeship, and that is why we have halved that fee to \$1,000.

The Hon. GREG DONNELLY: Minister, there has been in the media in recent times some publicity around the matter of anticipated sale of TAFE assets. You would be aware of that. In terms of the schedule of those sites or parts of sites for sale, what is discussion been with TAFE over that list?

Mr JOHN BARILARO: Let us firstly have a look at this in relation to assets of TAFE. If you go back to—

The Hon. GREG DONNELLY: I am talking about the list that has been drawn up and the working list that is being used.

Mr JOHN BARILARO: Yes, and I am trying to answer in relation to assets around TAFE in this State. We know that the TAFE assets are 2,000-plus buildings across 130 campuses and we have an underutilisation of about 25 per cent of those assets right across the State. For me, as the Minister, I have a responsibility to make sure that we utilise all our assets in a way that every asset is used for the maximum purpose of student enrolments. Of course, if you go back to the election campaign, our infrastructure strategy talked about a TAFE NSW strategic asset management plan. Off the back of the budget this year we also spoke about an infrastructure strategy.

The Hon. GREG DONNELLY: Minister, I am grateful for the context.

Mr JOHN BARILARO: Yes.

The Hon. GREG DONNELLY: But we have limited time here. I am talking about the list of sites that has been drawn up. What discussion have you had with TAFE over the timetable for the disposal of those sites?

Mr JOHN BARILARO: The discussions that I have with TAFE, from my office and as the Minister, are in line with what we have already talked about—the recycling of assets. I even talked about that at budget estimates.

The Hon. GREG DONNELLY: Yes.

Mr JOHN BARILARO: We were looking at the underutilisation of assets and looking at a way that we get maximum efficiency from those assets, and seeing that every dollar of those assets—if we choose to go down the path of recycling—is reinvested back into new learning centres, technology and into TAFE.

The Hon. GREG DONNELLY: I understand the argument behind what is being put, but in terms of that list that is being prepared, am I to take from that answer that it is now for TAFE to proceed and dispose of those assets?

Mr JOHN BARILARO: As I have continued to say this morning, the assets of TAFE are always under review. We have an obligation—from a business perspective, a government perspective and on behalf the taxpayers of New South Wales—to make sure that we utilise all our resources and assets.

The Hon. GREG DONNELLY: On the disposal of those assets, then, is it not your decision about these assets being disposed of, but rather that falls on TAFE. Is that your answer?

Mr JOHN BARILARO: No. My response in relation to assets is that it is going to be part of our strategic asset management plan that we have announced previously in the election and as part of the budget—talking about the attachment to the budget about infrastructure. It was clearly in relation to that that all assets of TAFE were under review. We are looking at best utilisation and we will make decisions in relation to what is best for the taxpayers, the business of TAFE and the Government to make sure that those resources are invested back into facilities.

The Hon. GREG DONNELLY: Minister, as you might imagine, there are a number of communities around the State where there are these TAFE sites which are going to be sold or partly sold, and there is deep interest in those communities about the list. Is your answer to these communities that this list is being prepared and that they should just wait now for that timetable to be put down?

Mr JOHN BARILARO: No. My message to the community is that the unfortunate problem with what is happening at TAFE with the politicisation of its assets, its business model, its reforms, is that the greatest damage that we are doing to TAFE are those who stand up at the front of campuses and say that campuses are closing and encourage kids not to enrol. That is the greatest danger to TAFE, TAFE campuses and our communities in the future. As a Government, we will continue to assess the business model and assess the assets of TAFE and best utilise those assets on behalf of those students and those communities.

The Hon. DANIEL MOOKHEY: Minister, how many contracts with private providers has the Government terminated for non-compliance with its contracts? When were you first informed?

Mr JOHN BARILARO: That seems to be a very detailed question in relation to contracts with private providers. I understand that you had David Collins here this morning from State training services. That would have been a question that is appropriate for David.

The Hon. DANIEL MOOKHEY: Actually, it was a question I asked him as well, but I am asking you when were you advised?

Mr JOHN BARILARO: It is a detailed question and it is a question that I think is more applicable to an estimates hearing rather than a hearing in relation to the future of TAFE.

The Hon. GREG DONNELLY: Minister, you do not get to tell us who asks questions.

The Hon. DANIEL MOOKHEY: Minister, I appreciate your advice, but the question that I am asking you is: Have you been advised of the need to terminate such a contract? We are, of course, chartered with the responsibility of looking into the private provision of these services.

Mr JOHN BARILARO: Yes, and they are the operational matters that State training services have carriage over.

The Hon. DANIEL MOOKHEY: Am I right to say that you leave it to your department to handle that, or you do not take any interest in that?

CHAIR: Order! Minister, take it on notice.

Mr JOHN BARILARO: Firstly, there was the implication that I have no interest. I take a deep interest in what happens with Smart and Skilled and what happens with vocational education and training in this State. I do. But there are operational matters from both the TAFE perspective or a private provider perspective that are detailed questions and detailed issues that are subject to the department and agency that are responsible for it.

The Hon. GREG DONNELLY: Minister, can I ask you about your opening statement in which you made a comment about challenges. Part of that was enrolments in private providers thus far that are below expectation. Can I ask you this: What expectation have you been looking for that has not been met?

Mr JOHN BARILARO: When contracts are issued to private providers to be part of the vocational education and training [VET] market in New South Wales, there is an expectation that those contracts are going to be used and that every opportunity for young people in this State to get access to training is their priority. As I said earlier, that expectation of all contracts that were issued out of their share have not been utilised, and therefore that is why we have made a number of announcements around getting rid of some of the blockages and impediments that may have been the cause for enrolments not to have been fulfilled, both in private providers and for TAFE. Those changes that we have made affect both. It is not just about the private providers and the State. It is also in relation to meeting or seeing enrolments grow within TAFE as well.

CHAIR: Minister, I asked a question of your general manager.

Mr JOHN BARILARO: Managing director.

CHAIR: Thank you. I quoted from submission No. 147 from the New South Wales teachers Federation, which states:

To date, TAFE NSW has not result the myriad of serious flaws in the [Education Business System [EBS] and the Student Administration Learning Management [SALM] computer] system ... [and] students not receiving ... information that could allow them to re-enrol or complete their courses. Many courses are not listed on the TAFE website nor advertised as available through TAFE which means many potential students are unable to access correct information about courses being offered leading to a loss of potential enrolments.

I note in your opening statement that your first comment, which is a couple of paragraphs from the commencement and in point form, was that the whole idea of vocational education has been to, "1. Direct more Government funding to students, not institutions." I understand you inherited this broken basket case of a computer system.

Mr JOHN BARILARO: Yes.

CHAIR: How can you direct funding to the needs of students if you are trying to patch a haemorrhaging computer system? What are you doing about it?

Mr JOHN BARILARO: Thank you for the question. First of all, some may have heard me talking about this in estimates. I have also been in the media talking about the Learning Management and Business Reform [LMBR] rollout in relation to total IT rollouts for education and for TAFE in New South Wales. The reality is that there are a number of components to the IT. The first of course is the human resources [HR] system network. That rollout has gone relatively okay. But there have been issues around the SAP finance system and the student administration and learning management system. That has not gone well. These are legacy issues that I have to deal with as the Minister. There have been significant issues, and I take this opportunity to thank all the staff who have managed the situations where the IT system has failed. I thank them for all their efforts to look after the students.

What we have done is to work with the provider. To put this into context, the Department of Education [DEC] has the contract in relation to the rollout of IT across both schools and TAFE in New South Wales. In one sense, TAFE is a customer of the DEC in relation to its component of the LMBR rollout. We therefore continue to engage with them, and there are a number of working groups working towards resolving some of these issues. We then of course go to the IT provider itself. There have been a number of patches created to fix some of the problems. We will continue to encounter problems. I do not pretend that we will be able to fix this overnight. We are putting in the resources.

We have also appointed a chief information officer [CIO] in TAFE to oversee the IT component and to make sure that we are ahead of the game and understand where the problems are. Further to that, as we embark on the next round of enrolments and the period of graduations et cetera we will have the human resources in place. I have spoken with the managing director to make sure that we have all the support in place to work through issues so that we do not have to endure what we had to endure earlier this year.

CHAIR: Has the Chief Information Officer been relieved of their duties given the debacle of this system?

Mr JOHN BARILARO: The CIO is actually new. He was appointed back in April or May this year. There was no CIO previous to that within the TAFE system.

CHAIR: If there was not one, who oversaw the IT system?

Mr JOHN BARILARO: It was done through the Department of Education and Communities, and with the separation of the DEC the TAFE component—

CHAIR: The question really is who was the CIO in charge of implementing the system? There must have been someone at the helm. I understand that it was probably on the other side of the portfolio. Minister, can you tell us how much in real dollar terms this debacle has cost in terms of staff time and the breakdown itself? Is it thousands, millions or hundreds of millions?

Mr JOHN BARILARO: Again, to put this into context, out of a \$586 million LMBR program across the board, initially the contribution from TAFE was about \$40 million. I need to put it into context the problems that we are seeing and the issue around LMBR. The TAFE component is around \$40 million. But of course it has taken many hours to resolve this, and I could not quantify those hours. Again, that would be a question for the managing director.

CHAIR: Minister, can you explain the process by which contracts were awarded to training providers for 2015? How did the department work out the provider caps for the different regions and qualifications? You may want to take that question on notice.

Mr JOHN BARILARO: Again, that is a very detailed question and I am happy to take it on notice. It is a question for the State Training Services [STS].

CHAIR: Can you explain the concept of targeted priorities and how this is different to demand-driven entitlement?

Mr JOHN BARILARO: In relation to targeted priorities, when we are talking about skills gaps in this State we have the NSW Skills Board. The Skills Board works with industry and looks towards where those gaps are and what the requirements are around workforce needs. It is an engagement process. Through the Skills Board we then identify the qualifications that the Government will subsidise—the 700-plus qualifications on the skills list. That is what feeds into the vocational education and training [VET] market. It ends up with the subsidised training for those areas. That skills list is regularly reviewed, in consultation with industry stakeholders.

Qualifications are added where we see a skills need. That is the response through which we meet industry needs, and that is fundamentally what Smart and Skilled is all about—meeting the need, so that we do not end up with the broken policy we saw in Victoria where they ended up with 35,000 extra personal trainers when there were no jobs. We have aligned everything we are doing with vocational education and training in this State to make sure that those who choose that pathway of vocational education and training can actually end up in employment. That is what fundamentally underpins Smart and Skilled.

CHAIR: Obviously the great outcome of the National Disability Insurance Scheme [NDIS] is the personal funding for the needs of each individual. What is your take on the part that TAFE in particular will play in the area of the NDIS and funding versus Smart and Skilled opportunities?

Mr JOHN BARILARO: We recently made an announcement on the NDIS, and we were one of the first States to do so, recognising that within the NDIS rollout across the nation people are saying that we will need an extra 90,000 personnel in that sector. In New South Wales that has been quantified at around 25,000 in the next three to four years. Now that the agreement has been signed, and the rollout will commence in 2016 for some parts of this State, there is probably greater pressure on making sure that we have the skilled workforce of carers who are going to look after the most vulnerable. That is why we announced \$10 million in a policy setting identifying 2,000 additional subsidised places in this State—to make sure that we have the carers in place and are ready for the NDIS rollout as we shift away from a lot of providers being in the government sector to more in the private sector. That is a commitment that we have made as a State, and no other state has followed our lead. We are leading the way there, and this investment will continue.

As I said earlier, the NSW Skills Board and the skills list is actually about identifying where the gaps are in the market and where the skills needs are. We will continue to address those. Again, it is about the feasibility within Smart and Skilled. It gives us the strategy and the targeted ability to see which industries need investment and to actually put in place those programs. It is no different to the case of apprenticeships. We saw the number of apprenticeships declining in this State. We announced the pre-apprenticeship program, which is a try-before-you-buy program to really mentor and steer kids through apprenticeships. We see some kids change their mind about what an apprenticeship looks like and which apprenticeship they will choose. We have seen apprenticeship completion rates improve from 47 per cent to around 80 per cent. This is the ability that I have as the Minister through Smart and Skilled to take a targeted approach around flexibility in the system.

Dr JOHN KAYE: Minister in answer to an earlier question, I think from the Hon. Greg Donnelly, you effectively declined to say that there would ever be a limit on how big the contestable market could be as a percentage of the total vocational education and training budget. You then said that TAFE is going to be fine—that if we look at it in its first run of Smart and Skilled we can see it got 80 per cent of the entitlements. So that gave you confidence that TAFE would be able to compete against private providers in the marketplace going forward. Is that a rough summary of what you said?

Mr JOHN BARILARO: It gives me great confidence that TAFE has the ability and that, based on quality, it will be able to compete in a very competitive marketplace that is changing each and every day not only globally but also here in this State. I am confident.

Dr JOHN KAYE: Thank you for that, and I appreciate that, but I would like to ask the next part of my question. Minister, is it not true, as Mr Collins told us earlier this morning, that in fact in the initial incarnation of Smart and Skilled TAFE was protected—and that 50 per cent of the entitlements, for stability reasons, were given to TAFE and they were advantaged in the remaining 50 per cent? So in fact it is not true to say that because they did well in the first round of Smart and Skilled they will maintain the same market share in subsequent negotiations.

Mr JOHN BARILARO: First of all, I do not know what Mr Collins said in response to a question of yours this morning, and that is something I will look at.

Dr JOHN KAYE: But you would be aware that that is the case.

Mr JOHN BARILARO: What I am aware of is that TAFE receives subsidies from the Government to make sure that it remains competitive in a very competitive marketplace—because we bring along a legacy within TAFE. It has an asset base that is old, tired and of heritage value in some cases. That brings a cost, and that is what the Independent Pricing and Regulatory Tribunal looked at. It has a workforce cost that is greater than that of the private sector or other TAFE jurisdictions. There are inefficiencies within the TAFE system, and that is why we have put forward our reforms in relation to TAFE—to make sure that in the future it can continue to be competitive in a competitive market place. We cannot rest on our laurels and we cannot sit on our hands. We need to make sure that we find efficiencies and make sure that TAFE remains flexible and efficient and is able to compete with the best of the providers in the marketplace.

Dr JOHN KAYE: Just to unpick that answer a bit, I understood that the legacy issues, as you put it, were a part of the operational base funding. With respect to Smart and Skilled, you are saying that you are not worried about a growth in the size of the contestable market because TAFE can compete. But then you say TAFE has all these legacy issues. Are you saying in effect that your view for TAFE is to make it look exactly like a private provider?

Mr JOHN BARILARO: Not at all. TAFE has been able to compete in the marketplace because of some subsidies from government. We went from a market that was predominantly TAFE to now a contestable, competitive market under a national partnership agreement with the Federal Government that allows this State to receive further funding of vocational education and training. In due course, if we did not have those subsidies in place then TAFE would not survive. But that does not mean that we should not look at efficiencies and make sure that TAFE in years to come is not so reliant on Government subsidies, because we know that is not sustainable. We know that Governments come and go and that budgets are under stress. The needs of the broader community are always going to be there. So I have an obligation to make sure that, in this period where TAFE does receive subsidies from the Government so that it can compete, we do not just sit idle and wait for it all to fall down. It is my job to make sure that we find a way forward.

Dr JOHN KAYE: So your vision is to prepare TAFE for a day when operational base funding no longer exists?

Mr JOHN BARILARO: I need to prepare TAFE for the future as the market changes, and the market has changed. If you look at the statistics from 2004 to 2011, we saw classroom activities change by 26 per cent. There was a drop-off, because students are telling us they want courses delivered in a very different manner these days. Therefore we need to make sure that TAFE remains relevant.

Dr JOHN KAYE: We will come back to that in a minute. You are saying that the market is changing and you have to prepare TAFE for it. To be fair, Minister, it is you, your Government and the Federal Government who are changing that market. It is not something that happened endogenously in the community; that was a change imposed through the 2012 National Partnership Agreement on Skills Reform and your Government's implementation of it. So you are saying the market is changing and you have to prepare TAFE for the changing market as if God gave us the market, which, as you know, is just not true.

The Hon. CATHERINE CUSACK: Is that your question: Did God give us the market?

Mr JOHN BARILARO: The Federal Government's changes under the national partnership agreement were made to recognise that the market was changing and therefore governments had to respond to the changing needs of students. We in this State have learned from being able to sit back and watch what has happened in other states like South Australia, Victoria and Queensland. We have taken a very measured approach to meeting our national partnership agreement principles so that we actually access every dollar from the Federal Government for the State of New South Wales. We have done so in a measured way, because the market is changing and governments are responding to that need. Of course in New South Wales we need to respond to the national partnership agreement.

Dr JOHN KAYE: Let us get to this business of the change in student demand, as you put it. You said that students want to study online—

Mr JOHN BARILARO: It is not just online; they want blended learning.

Dr JOHN KAYE: Blended learning or whatever it is. You say that and you quote the change in the statistics, but isn't that backwards? Isn't that actually head about? Isn't the reality that you and your Government have changed the way that TAFE provides courses, forcing courses into online and blended delivery, and therefore students take what is on offer? I think you have comprehensively reversed horse and cart. Tell me I am wrong.

Mr JOHN BARILARO: You are wrong, Dr Kaye.

Dr JOHN KAYE: Well, prove that I am wrong then; do not just tell me I am wrong.

Mr JOHN BARILARO: We were not in Government between 2004 and 2011 and yet we saw classroom activity drop to the tune of 26 per cent. Therefore students were already telling us in that period—prior to any change of government, prior to Smart and Skilled, and prior to any changes in framework and pricing—that they were not choosing the classroom delivery model. They were choosing online. They were choosing blended delivery in the workplace. We are now responding, because if we do not respond then the strong brand that TAFE has, which is respected by both industry and students, will not remain relevant in the future. We want to make sure that it remains relevant and that is part of our reforms.

Dr JOHN KAYE: Minister, I now take you to Reskilling NSW. On 2 February your predecessor announced that there was \$48 million for fee-free scholarship for 200,000 concession-eligible 15- to 30-year-olds. Here we are over half way through the year and you have told us that only 5,000 scholarships—that is, 2½ per cent of those scholarships—have been allocated. Am I right to be a bit concerned that you are not going to make your target of 200,000?

Mr JOHN BARILARO: No, it was 200,000 over four years—so 50,000 places per year—as of 1 July. So although it was an election announcement the scholarships came into being in this year's budget as of 1 July. We have seen 5,000 taken up, and on the recent numbers it is closer to 7,000. I think it is actually a very good start. It gives me hope.

Dr JOHN KAYE: So you reckon you are on track?

Mr JOHN BARILARO: It gives me hope and heart that we are on track to make sure we assist those facing disadvantage.

Dr JOHN KAYE: So tell us how people are getting these scholarships. Do they roll up to TAFE, show that they are eligible and then they are given this?

Mr JOHN BARILARO: That is one part of it.

Dr JOHN KAYE: If I roll up to TAFE and I am eligible—I am a social housing resident, I am between 15 and 30 years old and I am engaging in a certificate course—will I get one of these scholarships automatically?

Mr JOHN BARILARO: Definitely. That is how it works.

Dr JOHN KAYE: Everybody will?

Mr JOHN BARILARO: Those who enrol, those who make themselves available—

Dr JOHN KAYE: Can you take on notice the allocation mechanism?

Mr JOHN BARILARO: Yes, I can.

The Hon. LOU AMATO: I acknowledge that you have a small business background and a trade background, as I do, and I share your passion. I know how important it is to have highly skilled professional people. It is important for the economy. Can you perhaps tell us some measures that you have taken since becoming Minister to help more people access the vocational education system?

Mr JOHN BARILARO: In my opening statement I touched on those announcements that I have made. If you go back to my 2011 inaugural speech I spoke about coming out of the joinery and construction industry, that apprenticeships were under threat in this nation, that we were paying a legacy that I believe from career advisors and even ex Prime Ministers who used to say that the only way to become a clever country was university, and that I was concerned about what was happening in the vocational education and training space, opportunities for trades, apprenticeships, traineeships, et cetera. Therefore I am very passionate about how we can turn this around and make sure that the investment is about getting more places in this State, greater opportunity for people to get the training not only for the jobs today but the jobs of the future.

If you look at those announcements, when we clearly saw the regional caps for private providers not giving them the access to provide in-training to industry and businesses to all corners of the State, it was an impediment. That was the first announcement, where we removed those caps. We allowed businesses to seek training where they wanted it, when they wanted it and how they wanted it by the providers of their choice. That was an initial announcement and that opened up 47,000 places in the State around traineeships and apprenticeships. The recent announcement that I made in relation to pre-qualification criteria—we know some industries are in decline. That previous policy setting did impact on approximately 30,000 to 35,000 extra places or extra students being available for training in this State. We have now announced that impediment being removed.

We have also announced \$10 million in the pre-apprenticeship program—again, a try before you buy, as I touched on earlier. Talking about working with apprentices, the mentoring, the support framework in place to ensure that they get access and they can make the right choice in their apprenticeship because we want to improve completion rates. It is not all about enrolments, unfortunately. We are getting significant enrolments but the key issue for us in most trade industries is the completion rates—unfortunately running at on average about 47 per cent. We need to improve that and it is one of the priorities to improve apprenticeship completion rates to 65 per cent, and our pre-apprenticeship program, a \$10 million investment, is exactly to achieve that. An initial pilot of that showed about an 80 per cent completion rate, so that is another investment.

With the NDIS rollout more opportunities for those in that sector, and of course removing any fee in the future for any student with disabilities to have access to vocational education and training. The other important thing that I think we are doing in this space is changing the narrative around vocational education and training. I recall my career advisers encouraged me to go to university. Talking about that vocational education and training pathway was a second chance pathway. If we talk in that vein, we are pretty much selling ourselves short. The vocational education and training pathway is the first choice for many because it gives them the career that they are passionate about and the lifestyle they want.

We are always reviewing. I am always engaging with industry to ensure that we meet needs, and that is what we are doing. As the Minister I think very early on we have made a number of changes, and I am always keen to work with industry and I am looking forward to when this Committee hand down its report later in the year in relation to what it has found through this inquiry, what may be other impediments or obstacles that are not allowing students to enrol through vocational education and training.

The Hon. LOU AMATO: How important is the role of TAFE in regional communities?

Mr JOHN BARILARO: Very important. I come from the electorate of Monaro and without our TAFE campus, for instance, in Cooma we would have no other pathway for post secondary education. There are no universities. The only opportunity is to leave town. Therefore TAFE plays an important role, and that is why, through the funding model, regional and rural providers get a 10 per cent to 20 per cent loading to help with additional costs when delivering vocational education and training in those areas. For me, there is nothing more important than regional and rural communities having access to vocational education and training.

We have also announced as of 1 January an \$8 million regional pathway to work with students, to engage with them more to get them into further education, be it TAFE, or to support them in employment. For many in regional communities we do not want to see this net migration of young people away from our communities. For the growth of regional New South Wales, we need to make sure young people stay but to do so we need pathways so that they can grow, so they can learn and get employed. For me, that is why vocational education and training is pivotal, it is why we need flexibility and it is why we need the blended delivery of training. We need a mix of providers but TAFE is an important component of that and will always be. Of course, that is why there is that community service obligation attached to TAFE. Importantly we understand that

regional communities will play an important role, especially in those thin markets. My goal is to continue to see that happen in the future.

The Hon. LOU AMATO: Excellent. Thank you.

The Hon. CATHERINE CUSACK: I will ask you about one specific region. We went to the Hunter last week and visited Belmont, hoping to have morning tea with the students to engage with them about TAFE. Unfortunately, a large number of students were extremely distressed because they had been given the impression that the Government is closing TAFE. It was only later that I realised that Dr Kaye had posted on his website—this is a quote and I would like to hear your response to this:

The western campus of Belmont campus will be sold for \$2.6 million, which will require courses to be delivered either in other campuses or to a limited extent in nearby leased facilities.

Is it true that the land identified for sale is vacant land and there is no impact on Belmont TAFE?

Dr JOHN KAYE: I think you are quoting someone else's website.

Mr JOHN BARILARO: Unfortunately there has been speculation in the media about a number of the TAFE assets across the State and that brings uncertainty. But—it is the game we play, unfortunately—they politicise and the greatest impact they can have on TAFE campus, on enrolments and on students in the future is to continue to talk in a negative way. When it comes to the assets I did talk about the need to utilise those assets as best we can. We have an underutilisation of 25 per cent and some of the assets within the TAFE portfolio are vacant land. They are buildings that are not fit for purpose. They are buildings or campuses that need significant reinvestment. What is being missed by the conversation around assets in this State is that if we go down the path of recycling assets, and there is opportunity to do so, every dollar will be reinvested back into the facilities, into IT that gives greater flexibility to reach more people and more students.

The Hon. GREG DONNELLY: Every dollar?

Mr JOHN BARILARO: Every dollar if we were to recycle. Any decision made about recycling assets within TAFE, every dollar will be reinvested in TAFE facilities.

The Hon. CATHERINE CUSACK: On 30 June Dr Kaye told the media that Belmont TAFE's future is now in serious doubt. Then on 2 September he said the Hunter is being robbed of its economic future.

Dr JOHN KAYE: Point of order: The second quote is totally out of context. It was before I even had this document. You are quoting me out of context.

CHAIR: Order!

The Hon. CATHERINE CUSACK: I am not referring to the document. I am referring to your quotes in the media.

Dr JOHN KAYE: I know you are obsessed with me but you are quoting me out of context.

The Hon. CATHERINE CUSACK: What is your response to these allegations? I add Senator Lee Rhiannon's statement that TAFE faces annihilation. Do you have a response to those comments?

Mr JOHN BARILARO: Thank you. Again, we have never spoken about specifics because we have a review happening. We are looking at our assets. We are looking across the asset portfolio of TAFE NSW. When members of political parties stand at the front of TAFE campuses without evidence and make statements about closures or the cost of fees or the loss of teachers, it sends a bad message across the VET sector. That is clear, and that is part of the problem. I have repeatedly said that in some cases the greatest strength of TAFE in this State are those who continue to talk in a negative vein. They should be talking about the opportunities and partnerships, that the partnerships that TAFE has across industry and across other providers, and we have some fantastic partnerships. But right now the space is being filled with the negative stories of those who choose to use it as a political football. I am confident, as we continue to roll out our reforms and continue to make the changes that see students being the focus of the decisions of vocational education and training, not the providers, but the students and matching those students opportunities within industry and jobs, we will clearly see that the narrative will change. Hopefully those who have been so negative will help us sell that message.

The Hon. CATHERINE CUSACK: Do you think that negative message is counterproductive for TAFE recruiting students in the future if people are being duped in thinking the facility is about to be closed or annihilated?

Mr JOHN BARILARO: Definitely. The concept that TAFE will be annihilated—anyone who has followed my comments both publicly in the media or in the House clearly has heard that I regard TAFE as a fantastic public provider, one that is respected by both industry and students, one that is fundamentally offering training and education based on quality, not on price. I use every opportunity to talk about the TAFE pathway as a fantastic opportunity for training in this State. Those who do not do that are actually doing the greatest injustice. When being questioned about declining enrolments, they play an important role in that because why would students enrol in a course or a campus that they believe will be closed?

Dr JOHN KAYE: That is rubbish. You do not really believe that.

The Hon. SCOTT FARLOW: I am keen to continue on the Government's obsession with Dr Kaye, but on a slightly differently point about the National Partnership Agreement on Skills Reform and the impact that is having on New South Wales vocational education and training [VET] education and what the Government is doing. Effectively in many ways the Government's actions with Smart and Skilled are in response to some of those Commonwealth arrangements. Could you perhaps outline those arrangements and how the New South Wales Government is adapting?

Mr JOHN BARILARO: The national partnership agreement [NPA] signed under the then Labor Federal Government, followed by a Coalition Government, put in place the framework for vocational education and training across the nation with a number of factors as to what the marketplace would look like. Part of that was a contestable marketplace, a competitive marketplace. For this State to meet its obligations under the national partnership agreement we needed to meet some of those fundamental principles. In doing so, what we have seen is hundreds of millions of dollars of additional funding coming back into the State to make sure that we have more training places and opportunities for people in this State.

That is what we have done, but we have done it in a measured way. If you look across those that I have touched on it earlier, in Victoria, South Australia or Queensland the rush to the bottom to meet the national partnership agreement but not taking into account some of the measures that you could put in place to make sure that you understood your market and understood what the consequences could be saw in Victoria that VET was driven by price not quality. It was a race to the bottom and we ended up with some dodgy providers offering a range of incentives and training in areas where there was no demand.

In New South Wales we have been very, very measured. We have met our obligations under the NPA. It has given us the additional funding but we have done it in a measured way. As we have rolled out Smart and Skilled, that is why I have been able to make a number of other adjustments within the framework and that is good news for this State as we continue to receive Federal funding.

The Hon. SCOTT FARLOW: Under the national partnership agreement would it have been an option for New South Wales just to do nothing in terms of TAFE?

Mr JOHN BARILARO: We could have done nothing and we would have ended up with the loss of hundreds of millions of dollars of Federal funding and that is not an option. Fundamentally, the evidence behind what they put in place, the national partnership agreement, was meeting the needs of a changing market. I do not believe under a Rudd-Gillard Government those changes were just decided on the back of an envelope. I think it was done on the basis of evidence that the market was changing, the need to change the market and the way governments have responded to vocational education and training. States right across the nation responded and I believe we have responded in a way that has been better measured—slow in some cases. We have been criticised by sectors that we have been very slow at it but we have done it in a way so that we can actually learn from some failures of other States.

What we have rolled out with Smart and Skilled and the changes we have in place now have protected the taxpayers of this State. It also has maximised the resources to offer more places in this State. I believe if we continue to do what we have done we will see additional places. It is about putting students first and opportunity first and I am confident that we have the fundamentals under the NPA, which of course is being renegotiated and ends in 2017—and we do not know what it looks like beyond that. Therefore, there is always going to be

uncertainty within this sector; not only uncertainty, this sector will always change but what we need to be sure of in New South Wales is that we have the flexibility to meet whatever changes there are in that space in the future.

The Hon. SCOTT FARLOW: Minister, picking up on your point about some of the drivers—youth unemployment being one of the significant drivers—do you believe that Smart and Skilled is addressing that and what else is the New South Wales Government doing to address youth unemployment, which we are hearing throughout this inquiry is a significant issue?

Mr JOHN BARILARO: Yes. I know you have been up to the North Coast and to other parts of the State, and especially in regional areas we have some high youth unemployment numbers and that is why the announcement of the \$8 million to provide viable pathways, working with regional students to get them back into education, get them training, skills or re-employment will be fundamental to what we are doing about youth unemployment. That is why we have the fee free scholarships because we do not want to see those who are disadvantaged not have access to training. We are making sure that we put in place every opportunity and all pathways to allow our youth to get the training they need. In some cases that is why we need private providers, industry providers and group training organisations because the truth of the matter is, as fantastic as TAFE is, even with its existing footprint, it will never be able to meet the total demand and need out there to support the young people of this State.

That is why we need a flexible system that meets the needs in different parts of the State in a different way. As Minister, I will continue to monitor that and put in place programs that will actually see opportunity. Again, this is not just about training; this is about job outcomes. That is why we have aligned our training model to job outcomes, not only for the jobs of today but the jobs of tomorrow.

Dr JOHN KAYE: Point of order: I was misquoted badly by the Hon. Catherine Cusack. First, the article that I quoted was from the *Newcastle Herald*. Those were not my words. Secondly, the *Newcastle Herald* quoted accurately from a document that was put out by the Government. They were not my words. They were the Government's words being quoted by the *Newcastle Herald*. So let us just be clear on that.

CHAIR: That is on the record. Minister, I thank you for your presentation today and for allowing Committee members to ask questions about your portfolio. You have taken one or two questions on notice. You have 21 days to respond to the questions taken on notice. The Committee secretariat will be glad to help you with those and any further questions on notice that Committee members may have. You are in charge of a very important portfolio and we cannot afford to get it wrong, particularly for the most vulnerable and for those kids in regional and rural areas. As you come from Queanbeyan you understand all too well that accessibility is more difficult in those areas than in Sydney. We ask you to consider that portfolio area with those people particularly in mind.

(The witness withdrew)

(Luncheon adjournment)

CHAIR: Order! The Hon. Catherine Cusack wishes to make a statement.

The Hon. CATHERINE CUSACK: Towards the end of the last hearing Dr John Kaye accused me of misleading the Committee. I wish to table screen shots of the document that I quoted from, which was taken from his website.

Dr JOHN KAYE: Which shows very clearly it is an article from the *Newcastle Herald*.

CHAIR: We will table the document.

Document tabled.

MAXINE SHARKEY, Assistant General Secretary, NSW Teachers Federation,

MAURIE MULHERON, President, NSW Teachers Federation,

STEVE TURNER, Acting General Secretary, Public Service Association of Australia, and

LEON PARISSI, Delegate, Public Service Association of Australia, affirmed and examined:

CHAIR: Would anyone like to make an opening the statement?

Ms SHARKEY: Yes, I would. I wish to open by thanking you for inviting me here. It is unfortunate that some politicians see TAFE as too expensive. I would like to pose the opposite for you. What would be the cost of not having TAFE? We know that lack of education has a correlation with crime and incarceration. Are we happier to spend money on jails? What is the cost in rural decline for our outlying rural communities if TAFE is taken away? An Allen Consulting Group report at one time cited that \$6.40 was returned to rural communities for every dollar spent on TAFE. This inquiry has heard submissions from many people outlining the transformation that TAFE has made in their lives and the lives of their families.

What is the cost of large numbers of our community not reaching their potential, not being fully engaged members of our communities? TAFE has always been responsive to the changing needs of communities and industry. As industries become obsolete, others emerge, and TAFE stays abreast of this. TAFE has been at the forefront of renewal when regional communities such as Newcastle or Wollongong have gone through large shifts in unemployment. This change now is different. It is not change in response to community or industry needs. This is disruption as a result of imposing a funding model that is inherently broken. Thank you.

Mr TURNER: TAFE is the single largest provider of vocational education and training [VET] in New South Wales. Current thinking is moving away from the idea of vocational education and training being centre of the public service of skilled development and access for disadvantaged groups towards financial liabilities and a costs focus. The Public Service Association of Australia [PSA] believes that VET policy needs to focus on education rather than financial outcomes. VET policy benefit is the value that provides for the economy and builds skills, especially for disadvantaged groups not in their own economic activity. TAFE represents all groups in society and its student base with disadvantaged groups is well represented.

The cost of that education has been kept at a low level due to a good mix of Federal and State policies. Changes over the last decade are leading to rising prices. These costs are creating new barriers. Smart and Skilled as a policy is exacerbating this problem. Competitive funding models damage TAFE's policy to support the participation of disadvantaged groups and it undermines a need in society to meet skill levels and to increase training levels. Smart and Skilled also leads to a reduction of teaching hours and teaching support. The PSA calls for an immediate reversal of Smart and Skilled.

The Hon. LOU AMATO: Last week in Newcastle I asked if students thought that the school system had failed them and roughly 80 per cent put up their hands. Would you like to elaborate why that might be the case? Obviously TAFE is taking up what schools should have done in the first place. I understand there are always a couple of students, that is fair enough, but 80 per cent put up their hands.

Mr MULHERON: I do not think it is a scientific survey to say that 80 per cent have been failed by the school system. It is certainly not my experience and I have been teaching for 34 years, including 10 as a principal. The school system in this State across all sectors, but certainly in the public system that I have taught in, has an extraordinary success rate of students going either to university or to employment, and that employment usually has a significant TAFE component. Schools have to report back to the department where our students exit and that is reported in the annual reports of schools'. That information is publicly available. You will see that virtually every student can be tracked to have gone into employment, TAFE or into university. I would not accept the comment that there is a level of disconnect around the 80 per cent mark.

The Hon. LOU AMATO: I only state that because of the amount of hands that went up. All of those who were in attendance were a witness to that.

Mr MULHERON: If there is anything I have learnt about young people, it is that they sometimes can be subjective about their experiences. The fact that they have connected to TAFE is positive.

The Hon. LOU AMATO: As a small business owner in the trade industry, I have also experienced that a lot schoolchildren cannot read and write at a year 11 and year 12 level.

Mr MULHERON: That is not my experience as an educator and I was supervising—

The Hon. LOU AMATO: That is my experience as an employer.

Mr MULHERON: In respect of the success of the school system, the evidence is not borne out. In the National Assessment Plan - Literacy and Numeracy results nationally and at a State level show Australia has a very successful education system and our children are literate and numerate. I do not accept the premise of what you are saying.

CHAIR: I think the member might be making a comment in relation to the—

Dr JOHN KAYE: The suggestion, if I may, is that these were students who probably came from a lower socio-economic background. The suggestion is that schools in Australia, or New South Wales, are not providing fundamental skills to people who come from low socio-economic backgrounds.

CHAIR: And it is in the report entitled "State of Education in NSW".

Mr MULHERON: That is a very different situation. If we are talking about the growing gap between the advantaged and disadvantaged, this Government, along with the previous Federal Government, signed a National Education Reform Agreement to bring Gonski money in to try to close that gap. You are quite right. In respect of the level of disadvantage and the impact it has on children's learning outcomes, we know that Australia is becoming a more inequitable education system because that gap is widening. That is not universal across the board. It is quite specific. We would argue, and indeed the Premier and the Minister for Education in New South Wales has argued, that the use of Gonski money to close that gap will make a critical difference, and we believe it will.

Mr TURNER: We would support that comment but also point out that one of the things we focus on in our submission is how TAFE has been good at picking up and assisting those people who come from low socio-economic backgrounds who have not had the education that was necessary to succeed in their Higher School Certificates and other areas, and historically TAFE has been good at assisting those people to develop the skills so they can participate properly in the workforce.

CHAIR: That is what the member is saying, that TAFE is providing the most disadvantaged with a good advantage. I do not think he was deliberately saying that kids coming out of school—

Mr MULHERON: I accept that.

CHAIR: —because of teacher quality, are illiterate or innumerate.

Mr MULHERON: I accept that and we accept that TAFE has always played a critical role in what is often termed second-chance education, because there are a number of reasons that students do not complete schooling or are unsuccessful at schooling, because of individual circumstances, or through illness, or family disruption. TAFE has always been the universal safety net provider that has been very significant at picking up those people and giving them an education. Often it is articulated into university and other qualifications or it is articulated to trade and other kinds of opportunities for them. It has been a critical role and the teaching of literacy and numeracy and basic education for want of a better word has been a fundamental role that TAFE has played. If they are the kind of people you are talking about, TAFE certainly has played a significant role in our community over many, many years.

The Hon. SCOTT FARLOW: I note from all of your opening statements you have some concerns for the Smart and Skilled process and effectively the involvement of the private sector. Is contestability a new concept? In 2008, the Rudd Government and then the Gillard Government brought contestability front and centre under the national agreement for skills and workforce development, and we have seen that the national

partnership agreement was entered into under the Gillard Government in 2012. What was the position of your unions with respect to that process at those times?

Ms SHARKEY: In my opening statement I did not comment on private providers; I commented on a funding model. I do not believe that Smart and Skilled in any way is necessarily about private providers; it is about a funding model, which is what I stated in my opening statement.

Mr MULHERON: If I could go to the specifics of your question about our position, I can go back certainly to my experience because I was in this position. I can take on notice earlier positions. You mentioned 2008 and the national skills development. If I can go to the Council of Australian Governments [COAG] agreement, which is the watershed moment in all of this, which the Gillard Government brought in through that COAG process, we opposed the COAG agreement in what it was saying and what it was not saying. That was that we wanted better protections for the TAFE system within that COAG agreement.

We warned at the time that we believed that there were not enough regulations and scope to manage what was going to be an explosion or proliferation of private providers and that in markets there are winners and losers. The public provider has a universal role to play and because of that primary universal role to play—in other words it has to be in every community, it has to be accessible to all people and it has to be affordable—there ought to have been better protections put into that COAG agreement. I think the Gillard Government was wrong in putting that agreement in the wording it did. I said at the time the States had seriously misjudged what was going to happen. We did not believe that that agreement was a well-worded agreement because it did not give the protections that we thought TAFE needed.

Mr TURNER: Our union opposed those changes. We have been opposing some of the changes suggested by even previous Labor governments going back to the Dawkins era when they first started looking at vocational education and training and the delivery of that training. As we say in our submission, we object to and we oppose vocational education and training being subjected to contestability. We think what we should be looking at is the skills needed in the economy and how we can make sure that access to the training and the delivery of those skills is met in the best way. The education policy ought to be the focus, not contestability.

The Hon. SCOTT FARLOW: If it were shown that the private sector could provide the educational outcomes that are needed by the economy in a better way, would you then support government funding for students?

Mr TURNER: As we see in this inquiry, there ought to be proper research into the provision of vocational education and training, the skills needed in society, accessibility to that training and then a proper analysis of who provides the training the best and delivers the best training—not just base it on the dollar outcome.

The Hon. SCOTT FARLOW: If there were such a study and it showed that private providers could produce better outcomes you would be supportive of funding private providers in a similar way to Smart and Skilled?

Mr TURNER: TAFE is the biggest provider of vocational education and training in the State. It is providing great courses and great outcomes. Until it can be demonstrated that can be done in a better way we will continue to support TAFE. But we will look at the results of any proper research, yes.

The Hon. SCOTT FARLOW: The Australian Education Union [AEU] Ryde TAFE branch argued that there is not a level competitive playing field between TAFE NSW and private registered training organisations [RTOs] because of the overheads of TAFE NSW. It also recommended that the New South Wales Government recognise that TAFE institutes cannot compete with for-profit providers. Given that TAFE NSW labour costs are up to 60 per cent higher than the cost of private competitors and up to 50 per cent higher than TAFEs across the country in other States, do you believe that the AEU position supports a case for improving TAFE's delivery and workforce in New South Wales?

Mr MULHERON: If you want to compare the situation in Victoria and South Australia with New South Wales then those two States would have to be regarded as basket cases. If a push to the bottom of lowering people's working conditions and salaries and reducing the quality of provision is the answer then why have we got a situation in those States where the TAFE market share is around about 25 per cent? We have got a

situation in South Australia where the levels of contestable funding went from about 25 or 26 per cent to about 74 or 75 per cent in the space of six or seven months. It is largely unregulated.

It is not a case of the workforce being the problem. In New South Wales we have 12,000 TAFE teachers, of which 8,000 are in precarious employment. That is, they are part-time casual. Only a third of the workforce in New South Wales is permanent teachers. Of those people who are employed permanently, as you would know through the last few years, they are being made redundant now. We have got a situation where in terms of flexibility of TAFE I am not sure how much more flexible TAFE can get when two-thirds of its teaching workforce are part-time casuals with no permanency and the other third are being made redundant. In fact, we have lost over 2,500 teaching and other support staff since 2011. They are being made redundant right now as we speak, as we are negotiating a new enterprise bargaining agreement [EBA].

Our counterproposal to that is we believe that TAFE would be competitive not if it was a race to the bottom where you lower people's working conditions and therefore you attack their qualifications and you go to a cheap model of having an underperforming workforce. We believe the best thing to do for TAFE would be to have a secure teaching workforce permanently employed and then you invest in that teaching workforce in terms of professional development and that becomes the selling point—for want of a better word—for TAFE. We believe that it is not a case of trying to compete in a race to the bottom.

Mr TURNER: We support those statements also. Once again, what you have got to be looking at is the educational outcomes and the meeting of the skill needs of the economy, which is the more important measure about how successful TAFE has been in this State. This cost cutting that is going on, seeing a third of the support staff in TAFE cut—and as we just heard in the comments about teaching staff—is going to lead to a disaster in 10 years time when we find we do not have the support for the students and we do not have the skills to deliver the courses. We will have business calling out for skills in the workforce and we will not have the teaching and support staff to make sure those skills can be trained up and delivered to meet the economy.

The Hon. CATHERINE CUSACK: Mr Mulheron, you say more than 2,500 staff have gone.

Mr MULHERON: Teaching and support staff.

The Hon. CATHERINE CUSACK: Can you break that figure down for us in terms of teaching support and casual and full-time?

Ms SHARKEY: It is rather hard, if I may assist. It is difficult to break it down. I have here a summary of every single institute. There are 10 institutes. I have a summary of each institute's correspondence to the Teachers Federation since the end of 2013 citing the need to become ready for the funding model of Smart and Skilled. This document is just a summary of every single faculty—every single teacher or class preparation assistant in every single faculty in each college in each institute that has been reviewed.

A review is a process where the entire section is told that things will need to be carried out in a different way and that budgets need to be met. There is an implied threat that not everybody will maintain their jobs. In fact, I have summarised some of this so that we have numbers. In one institute there were over 600 individual people who had gone through a process that has taken months where they were unsure whether they or their colleagues will have a job. Of that 600 almost 200 in that one institute are no longer employed.

The Hon. CATHERINE CUSACK: Can I ask where the figure of more than 2,500 comes from?

Mr MULHERON: It comes from TAFE. In terms of an agreement we have got with TAFE we sought when they are going through the rationalisation process to give us notice in each college or each institute where the job losses were going to be coming from. We have got that documentary evidence, which we are very happy to provide to the Committee.

The Hon. CATHERINE CUSACK: Yes, if you could. You are saying that more than 2,500 staff have already gone?

Mr MULHERON: Teaching and support staff.

The Hon. CATHERINE CUSACK: Not positions, but actual staff?

Mr MULHERON: It is 2,500 full-time equivalent. I am talking about full-time equivalent positions.

The Hon. CATHERINE CUSACK: There are potentially more than 2,500?

Mr MULHERON: There could be more human beings affected. I am talking about full-time equivalent positions.

Dr JOHN KAYE: Is that not also in the budget? The budget shows a loss of 2,600 full-time equivalent permanent positions from TAFE, does it not?

Mr MULHERON: The 2015 State budget has information about that as well.

Dr JOHN KAYE: Your figures are consistent with the figures in the budget?

Mr MULHERON: Absolutely, and consistent with the documentation that we have been provided.

Ms SHARKEY: And from TAFE's signed-off change management policies.

Mr PARISSI: I would agree with those figures and they are in the budget papers. But as well from the Public Service Association point of view we are also undergoing enterprise bargaining at the moment. If one compares the number of eligible voters in the enterprise agreement two years ago, which was just about 6,000, the number of eligible voters in the current enterprise agreement is 4,800. That is about 1,200 support staff. It is easily accountable in that way.

CHAIR: In submission 147 from the Teachers Federation you make a comment about the Educational Business System [EBS]. I asked questions about that this morning. I wanted to get a comment on the EBS maybe being a totally broken down system and get your comments on it. Have any of your members brought issues to your attention about the EBS and the Student Administration and Learning Management [SALM] system?

Mr MULHERON: Absolutely.

CHAIR: At what level were those people?

Mr MULHERON: It has been a quite traumatic experience for our members. We have had a lot of feedback from all our officials who have been dealing with our members. I might throw to Ms Sharkey, who in her position within the union is responsible for the operational staff and has been at the forefront of trying to make sense of the EBS debacle.

Ms SHARKEY: Both teachers and head teachers have contacted us, many in tears at the frustration of trying to work with the EBS system. Some individuals have told us that certainly towards the end of last year many of our members came into TAFE colleges to try to work on inputting marks for the second and third time so that students were able to have transcripts and get their qualifications. You need to understand that our members are committed to their students and they will work above and beyond in order to ensure that students are not disadvantaged in any way. The first casualty of EBS was students. Our TAFE teachers spent an inordinate amount of hours. That has been acknowledged by both Pam Christie and the Minister—that it was only because of our members working unpaid and unrecognised overtime that ensured that students were able to receive results and actually enrol.

On the actual enrolment day I was with most of my team. Each one of them works with different institutes. It is fair to say our phones melted down on enrolment day from members phoning us really distressed about the debacle that they were trying to deal with on enrolment day. There were students who were aggressive because they were blocked from enrolling. To this day I have a member who has already told me that they continually try to enrol a particular student and that student is continually not enrolled as far as the system is concerned. But that student has documentation to say they have paid for their course and that student is in the class. In my all time in TAFE I have never seen anything like it.

CHAIR: In your submission you say that school-based apprenticeship students undertake a combination of school subjects, paid work and nationally recognised training and most students undertake those courses at a certificate III level. Do you have a comment about that part of your submission?

Mr MULHERON: What specifically do you mean?

CHAIR: I am trying to work out whether you are for them or against them. Do you agree with school-based apprenticeships?

Mr MULHERON: Schools have been involved in them for some time. We have no issue with them, if that is your question.

CHAIR: That is my question. Thank you.

Dr JOHN KAYE: Thank you for being here today. Prior to 1 January 2015, was there something fundamentally wrong with TAFE?

Mr MULHERON: Before 2015?

Dr JOHN KAYE: Yes. Before 1 January 2015 was there something fundamentally wrong about TAFE?

Mr TURNER: No, there was nothing fundamentally wrong with TAFE. In fact, it was a great vocational education provider and it should have been allowed to continue in the way it was.

Dr JOHN KAYE: Mr Mulheron?

Mr MULHERON: TAFE was a source of pride for the New South Wales community, until the introduction of Smart and Skilled.

Dr JOHN KAYE: The Minister said that the changes were about creating more flexibility and more choice for students. Do you think the changes have created more flexibility in TAFE? Do you think TAFE was flexible before?

Mr MULHERON: It has done the exact opposite; there is less flexibility in the vocational education and training [VET] system because of it. That is because of the rationalisation of courses, as evidenced—

Dr JOHN KAYE: So there are fewer opportunities to study.

Mr MULHERON: There are fewer opportunities, fewer courses and costs are prohibitive. The massive increase in fees has also meant that students are not accessing courses that they might have wanted to. That is having an impact, particularly on rural and regional New South Wales. Smart and Skilled has certainly not brought any diversity to the system. It might have brought new players but it has not brought diversity. The TAFE system until now was extraordinarily flexible. It was open for many hours a day. As I said earlier, under enterprise agreements, of the 12,000 teaching workforce 8,000 have precarious casual employment. Only 4,000 are employed permanently. TAFE responded to industry needs very successfully. The New South Wales system was one of the jewels in the TAFE crown. It was the strongest and healthiest system. It seems extraordinary that the Government would look at the models that have been introduced in other States and start to go down that path.

Mr TURNER: We support those comments. The biggest immediate effect of Smart and Skilled that we are seeing is the hindrance to participation in the TAFE system, which is a disaster for New South Wales and the economy.

Dr JOHN KAYE: The professions in TAFE that your organisations cover have lost substantial numbers. The stated objectives of the State Government are more flexible delivery, greater training outcomes and training outcomes that are better matched to student needs. Mr Parisi, you suggested that at least 1,200 support staff positions and a large number of teachers will be lost. How would you describe the impact of that on meeting those objectives?

Ms SHARKEY: An example of that is that students bear the cost. They are not able to travel easily to the sites where their courses are available. Those courses previously were available locally. Students are often from a disadvantaged background and do not have a lot of income, particularly students who are trainees or

apprentices. The Minister himself has made statements that perhaps apprentices should be paid more. It is difficult for students to travel from one side of Sydney to the other or from one side of the Riverina to the other. I have a family member, a young person, with special needs. He previously had to travel from Griffith to Wagga Wagga but now has to travel to Albury finish his chef apprenticeship. TAFE used to be able to provide something as basic as hospitality and commercial cookery courses at colleges where there was the infrastructure to do that. There is still the infrastructure to do that; there are just not the teachers.

Dr JOHN KAYE: Mr Turner, do you have anything to add about the loss of support staff?

Mr TURNER: TAFE has built into its Act social responsibility and the support it must provide to students. The loss of that social responsibility and support services is devastating to students. We see the loss of librarians in colleges. We see the loss of support services for people with disability. We see the loss of counselling. We see students losing teaching hours in class time. For instance, in hairdressing students have to set up a class, clean it afterwards and wash up. Therefore, they lose teaching hours. We are losing teaching time, we are losing support for the students and we are losing ongoing access to TAFE for students.

Dr JOHN KAYE: Minister Barilaro says that he inherited the training system and the training market. He outlined with great enthusiasm this morning a number of things that he is doing to improve the market. For example, he said that he is extending the geographic boundaries for more than 250 providers, providing \$48 million for fee-free scholarships to help 200,000 students and providing \$10 million to support the National Disability Insurance Scheme. The list goes on.

Minister Birmingham, who was the relevant Federal Minister, did all sorts of things to fix up the VET FEE-HELP scandal. I think you know what I mean by that. If we follow this route, will we be spending the next 20 years fixing problems and using band-aids to try to hold the system together?

Mr MULHERON: A dreadful funding model came out of the Council of Australian Governments [COAG] process and was introduced in various forms in the different States. Smart and Skilled is the New South Wales model. You cannot put a bandaid on something that is fundamentally problematic. The COAG process was the source of the problem. We would have thought that State Governments could have learnt from each other.

Dr Kaye, you referred to VET FEE-HELP. The figures are very telling. They are national figures, but they are telling because VET is not confined to State borders. VET FEE-HELP is just debt. It is a misnomer. It is Orwellian to say that it is helping anyone. It is putting parents and young people in debt. Even if governments were economically conservative, they would have to be worried about the debt. In 2008 VET FEE-HELP was about \$25 million.

Dr JOHN KAYE: That is accumulated debt.

Mr MULHERON: In 2014 it had grown to \$1.6 billion, and 75 per cent of that went to the private for-profit VET sector. They are national figures: \$25 million in 2008 and \$1.6 billion in 2014. We are putting families, parents and their children who are trying to seek a qualification, into debt, often with providers who are largely unregulated. The Australian Skills Quality Authority [ASQA] has said it has no capacity to regulate the 4½ thousand national registered training organisations. Now the debt has grown exponentially to \$1.6 billion. Unlike the Higher Education Contribution System, which is capped, VET FEE-HELP is not. I think student debt is a sleeper issue. It is a time bomb waiting to go off.

Dr JOHN KAYE: The fundamental problem is the 2012 national partnership. Can you see a competitive model that would work, where TAFE is competing against private providers for its core funding, or is there something fundamentally wrong with the idea of TAFE having to compete for its base funding?

Mr MULHERON: There is something fundamentally wrong when a government says that it does not want to fund a universal provider, which TAFE is. TAFE is meant to be an institution that is accessible to the entire community. People who run for-profit colleges are not running them because they are interested in training. They are interested in running a business. That is their primary motivation. If that business is not successful, they move into another business. The primary focus of TAFE is to provide education and training. There is a fundamental difference between the role of a government public provider that provides a access and equity, that is there to serve the entire community, regardless of your family circumstances and where you live,

and those who establish colleges purely to make money—and that money comes from student debt and Government funding.

Dr JOHN KAYE: You are saying that there is something wrong with unrestrained competition between those two functions: a profit-making function and a Government function?

Mr MULHERON: Absolutely. There is an enormous conflict of interest. At the very least there ought to be a cap on the levels of contestable funding available for people to tender for. There ought to be a funding guarantee to the universal provider—that is, TAFE. It ought not to be regarded as just another provider.

Dr JOHN KAYE: Both union submissions said 70 per cent of the vocational education and training budget should be reserved—

Mr MULHERON: There is not a lot of science to it, but there has to be a cap. Historically, the level in New South Wales was around 23 per cent. We are saying that if there is a predilection to allow more people to come into the new market then let us set a realistic level. We are not trying to go back to the good old days. At least there should be a cap so that Government can control its funding and there can be some regulation of the sector. Since we set the figure of 30 per cent, the most recent State budget has shown that the figure has already grown to 33 per cent. People say, "25 per cent or 33 per cent is a low figure. Why are you worried about 33 per cent? It is pretty close to your cap." I remind people that in South Australia it grew from around 25 per cent to the mid-seventies in the space of six or seven months.

Dr JOHN KAYE: Are you talking about the size of the market as a percentage of the total—

CHAIR: The contestable funding grew.

Mr MULHERON: The size of the contestable funding. Until we get the new figures for New South Wales, none of us will know how much contestable funding there is. That is the kind of nightmare scenario we are marching towards.

Ms SHARKEY: There always have been and always will be private providers, but in the past they were genuine businesses. Under this model they are start-ups because they are guaranteed direct Government funding. In many cases they are not genuine businesses. They are not businesses that can deliver what TAFE NSW now delivers.

The Hon. DANIEL MOOKHEY: Thank you for gracing us with your presence today. Would your organisations agree that a person who gets an education at TAFE ought to receive an education of comparable quality to that of a person who gets a degree from a university?

Ms SHARKEY: Absolutely.

The Hon. DANIEL MOOKHEY: Is it the case that, so that TAFE meets its social obligation and we do not have a caste system in quality of education, your organisations have been running longstanding campaigns to improve professional standards in TAFE?

Ms SHARKEY: Absolutely.

Mr TURNER: And to maintain the great standard that exists.

The Hon. DANIEL MOOKHEY: As part of that campaign to improve the professionalism of TAFE so that the education that is provided is not of secondary status, is your contention that that is in large part to do with the quality and calibre of the workforce?

Mr MULHERON: Absolutely. That is why, in the last enterprise bargaining agreement negotiations and in the ones we are in the middle of now we opposed and are opposing the notion of introducing a job called a "trainer". We believe that will replace teachers with part-time casual teachers on half the hourly rate. It is a drive-down model. In the last enterprise bargaining agreement we said that TAFE ought to be protecting and supporting its workforce with good professional development. Ongoing professional learning has to be part of any accredited workforce. You invest in your workforce if you want to have quality. You do not drive down costs by replacing teachers with paraprofessionals.

The Hon. DANIEL MOOKHEY: Is it the case, therefore, that the comparison that I think a previous member may have referred to between the labour costs of TAFE and the labour costs in the private sector is reflective of the strategy that TAFE has had for a long time—to improve the quality of its workforce and retention as a way in which to create a form of comparative advantage relative to the private sector?

Mr TURNER: We believe that comparison is wrong in the first place. We believe that what they are doing is looking at the current costs of the TAFE workforce and then looking at the national employment standards and the minimum awards that exist, and are trying to make some comparison as opposed to actually looking at the real costs.

The Hon. DANIEL MOOKHEY: But the general point is, though, that that cost aspect is reflective of a strategy to professionalise the workforce, to remunerate properly and to reward properly for the skills that they have.

Mr PARISSI: In the TAFE sector.

Mr TURNER: In the TAFE sector, but the most important thing is to look at the outcomes. With TAFE, historically you can look at the brilliant outcomes of the TAFE system in New South Wales. Unless they can be replicated, it should not be put to contestability.

The Hon. DANIEL MOOKHEY: Mr Turner, you have pre-empted my next question, which is: I am assuming that you are aware of research that suggests that quality of teaching outcomes is linked to the calibre of the teaching workforce.

Mr MULHERON: Absolutely.

The Hon. DANIEL MOOKHEY: I am sure that that literature could be long. Perhaps if you could take it on notice to provide us with a list of that research that has been undertaken about the correlation between student outcome and teacher quality?

Mr MULHERON: It is international studies. It is almost a truth. Certainly in the school sector, if we could look at that by comparison, what is happening in the school sector is that the State Government, to its credit, is investing in teacher professional learning and increasing teacher professional learning in the school sector as well as having a negotiated performance development framework, which effectively is about ongoing learning. It is about higher initial teacher education standards through the Great Teaching, Inspired Learning policy of the State Government. We compare what we think are very good initiatives within New South Wales in the school sector, which is about investing in that teaching workforce, creating higher standards, and having registration requirements that protect qualifications. We have been very supportive of what the Coalition Government has done but we are gobsmacked that almost the exact opposite approach is being made in TAFE, as though TAFE can afford to have paraprofessionals replace teachers and all you do is look at it as a cost rather than investment.

Mr TURNER: And the danger you have got is that in 10 years time when you turn around, you find you have lost that skills base, or do not have the ability to deliver vocational education and training in the State, which we are currently delivering.

Ms SHARKEY: And if I may, TAFE is one of the most diverse educational facilities in Australia. We do not just teach second-chance learning. We teach high-quality professional learning as well. There are many people who believe that TAFE is a steppingstone to university but there are in fact more university-trained students who come back to TAFE than there are TAFE-trained students who go to university. A TAFE teacher needs to be able to have the skill, the knowledge of their profession, but the teaching skill to be able to translate that knowledge to second-chance learners and to highly qualified professionals, and TAFE teachers can do that.

The Hon. DANIEL MOOKHEY: Thank you for that. I guess the next thing after all those aspects about quality and the correlation between teacher outcomes and student learning is this: How much do you think the current IPART model allows for those factors to be included in it in terms of modelling? How much of that sort of value do you think is not captured by the IPART funding model as well?

Ms SHARKEY: I am certainly no expert on the IPART pricing model, and I would like to meet someone who is. I cannot make sense of the IPART pricing model. Many things were priced at a cost that is prohibitive.

The Hon. DANIEL MOOKHEY: Do you think that the IPART model's predominant purpose is to deliver quality?

Mr MULHERON: No.

Ms SHARKEY: I do not believe it is.

Mr TURNER: The whole problem is that the focus now is not on the delivery of vocational education and training as public policy. The whole focus is on contestability as a public policy. Therein is the failing.

The Hon. GREG DONNELLY: I wish to continue this discussion on the issue of contestability. The Minister, who gave evidence this morning, essentially tried to differentiate what he is now presiding over in New South Wales with respect to contestability and contestable funding vis-à-vis what has played out in Victoria and South Australia. I do not think he actually mentioned Queensland, but Queensland could also be added.

Mr MULHERON: It could be, too.

The Hon. GREG DONNELLY: I am wondering about this: Do you actually think that we are, as he attempted or sought to present to us, on a different track to what in fact has played out in those other States, or are we essentially on the same track but at a different state of progress down that track?

Mr MULHERON: We are on the same track and we have seen what is happening Victoria. We are heading down the same track.

Mr PARISSI: It is the same track but it is a slightly slower train, perhaps.

Mr MULHERON: The only thing that differentiates is that the TAFE system in New South Wales started in a stronger position or was coming from a stronger base, and the start to Smart and Skilled was more delayed. So Victoria, for instance, had started even before the Council of Australian Governments [COAG] agreement, if we go back to 2007 or thereabouts. They certainly started earlier and came off a lower base, but the TAFE system in New South Wales is stronger. We started later. But in terms of the policy settings, we are looking around the margins and differences, but the core model is the same and the outcomes will be the same, if we keep ignoring the evidence.

Mr TURNER: We have highlighted that in our submission but also what we have seen in Victoria is not very good for vocational education in that State. The outcomes are not good. When you look at TAFE here in New South Wales, unfortunately we are now heading on the same track and we will have the same disastrous outcomes if we stay on this track.

Mr MULHERON: Can I make this point? Someone in Victoria described what is happening in the vocational education and training [VET] market in Victoria and said that this will probably be played out in the Coroner's Court. I want to put that on the record today. I think that what is happening is so dangerous in New South Wales with what is happening with TAFE—with the dodgy providers, the lack of regulation and the drive to just put everything in terms of the market and costs—this will at some point be a community concern that will be played out in the Coroner's Court. That is how dangerous this policy is.

The Hon. GREG DONNELLY: Earlier in evidence you mentioned this problem with the regulator, the Australian Skills Quality Authority, in terms of being able to essentially monitor the registered training organisations. The Minister was at pains to speak about—certainly, with respect to New South Wales—the quality framework, which he says forms part of the whole Smart and Skilled program. I think it is agreed that if we look at the New South Wales quality framework and what is done by ASQA we have got a reasonable sort of monitoring of what is going on with respect, particularly, to the private providers. Would you have a response to that? Do you see that in fact we are in a relatively better position, the same, or worse than, say, other States with respect to the model that he has set up?

Ms SHARKEY: Prior to the COAG agreement, prior to the funding models that have been introduced in other States and prior to the introduction of this funding model in this State, there was not as much need for regulation. There was greater faith in the system. As there is a market created where there is almost free money being handed out, of course there will be some, as my colleague referred to it, dodgy business people who will try to jump on that bandwagon. It is because of the funding model that that has occurred and that we now need more regulation. I believe that ASQA is a national body.

The Hon. GREG DONNELLY: Yes.

Ms SHARKEY: Prior to that you had a State body. TAFE NSW, as colleges and faculties, was continuously audited but not in a disruptive fashion and not in a way that was punitive. It was not due to any lack of faith in the system. There were very minor anomalies that ever came out of that. In fact ASQA is being kept busy because of the funding model, and that funding model requires regulation. I believe that TAFE itself is too big a system for the resources of ASQA to be able to regulate and monitor. At least TAFE itself has a system that would enable regulation and monitoring, I would think. Never mind the start-ups, the pop-up businesses, that begin under one name and then disappear and then re-form under another name. I am sure it is a nightmare for ASQA.

The Hon. GREG DONNELLY: You probably are aware that the Government has announced that there is actually a review underway with respect to Smart and Skilled. We heard evidence this morning that there will be two phases of the review, with the first part concluding around October this year and the second phase to be concluded in the first quarter of next year. Do you have any confidence with what you understand thus far are the terms of reference of the review and how it is being undertaken to enable some of the issues you have identified to be shaken out?

Ms SHARKEY: I personally have very little confidence.

Mr MULHERON: We are optimistic. We live on optimism, but in terms of optimism and confidence, there is often a gulf.

The Hon. GREG DONNELLY: It is meant to be an independent review. That is what has been spoken about.

Ms SHARKEY: IPART is meant to be an independent body.

The Hon. GREG DONNELLY: I am inviting you to respond.

Mr MULHERON: Look, past experience has shown that governments do not set up inquiries unless they know what the terms of the outcome are going to be, so we do not necessarily historically have faith that their reviews are independent. What we would say, though, is that the national partnerships that came out of COAG prior to that expire towards the end of 2017. We believe that we would be urging the State Government to put an immediate cap on the contestable funding and then go and seek from the Government—whether it is current Prime Minister or a new Prime Minister but the Federal Government—and then have a new COAG agreement negotiated. The fundamental flaws in that Smart and Skilled, as in the other States, came out of that COAG agreement, and that has to be a national policy setting change.

If anything does come out of that inquiry, we hope that it would articulate into this State Government being prepared to say that it was poor policy development, which was based on a faulty agreement, and we will now prosecute, on behalf of the community of New South Wales, a much better deal to provide services for the community—training services—and protect TAFE as the universal provider. That is what we would hope this State Government had the maturity to do.

Mr TURNER: And as we point out in our recommendation, we would hope that any review of Smart and Skilled would obviously be looking at the participation rate of people in vocational education and training in this State, looking at the skills needed within their economy as well as whether or not the vocational education and training being delivered is meeting those skills and is able to meet that gap. As long as the review is not just about contestability and how that is working, then we will await the outcome. But if it is only on contestability and looking at that part of Smart and Skilled, then the review is not going to look at what is really needed for vocational education in the State.

The Hon. DANIEL MOOKHEY: In the last two minutes we have for questions, can I go back to how the TAFE system is adapting to the new funding model. Are you able to give us any evidence about the impact it has had on course hours and teaching hours across the State—ideally by institute or by region?

Ms SHARKEY: Each faculty in each institute is looking at different ways that they can deliver at this costing model. Some have made decisions. One would hope that TAFE at least leads the way—that most decisions are made putting educational soundness at the forefront. Some have made decisions that the only way that we can deliver at this cost is to increase sizes of classes. That is very difficult. If you have, for instance, nine welding bays, it is difficult to have 18 people in the class; but it is not unheard of in some cases where people buddy up, and one watches one that physically welds and then the other one does that. It still takes additional time.

Some of the other ways that people have come up with have not been taken to well by students. Many students, as some of you around this table have noticed, did not have a great experience at school. So we try not to replicate that experience. Certainly the university-style lecture does not necessarily appeal to many of our students. However, in some cases managers have made a decision that will have largely university theatre style lectures of the background information people need.

The Hon. DANIEL MOOKHEY: So in general the trend is away from individualised service towards mass.

Ms SHARKEY: Yes, it is away from individualised service. Certainly there has been on some occasions a cut in the delivery hours.

Mr TURNER: And a downward in class time and student hours. Can we also take that question on notice and see what information we can provide the Committee.

The Hon. DANIEL MOOKHEY: Yes, please, we would appreciate any specific information that you can provide.

CHAIR: Can you take that question on notice, and also take another question on notice in regards to your comments about start-ups. I would be interested to hear about the way that you think start-ups could be addressed to avoid some of the issues that you have mentioned. I also note that your submission has some recommendations in it, and we will look at those as well in context. Thank you for presenting here this afternoon. Your evidence has been very helpful. You do have 21 days to respond to any questions taken on notice. We may also send you some questions in follow up to this session. That concludes this session.

(The witnesses withdrew)

(Short adjournment)

ROD CAMM, Chief Executive Officer, Australian Council for Private Education and Training, and

PETER McDONALD, Executive Officer, New South Wales and Australian Capital Territory, Australian Council for Private Education and Training, sworn and examined:

GARY REDMAN, Member, Australian Council for Private Education and Training; and, Chief Executive Officer, Training Experts Australia Pty Ltd, affirmed and examined:

Mr CAMM: We welcome the opportunity to meet with the Committee and talk about these important issues, and we welcome the scrutiny of the sector. The Australian Council for Private Education and Training represents over 1,200 members from a fairly broad representative group. We represent higher education providers, vocational education and training providers, English-language colleges and international colleges. I guess as per the last discussion we note that all states and territories are in various stages of reform in this important sector. I note that New South Wales currently delivers over 30 per cent of government-funded vocational education and training in this nation. So the reform agenda here is incredibly important to the national economy.

It is certainly our position that education is critical both to a person's employability and to their earnings potential, and the level of educational attainment is actually accepted as a very important factor in determining those two outcomes. This inquiry is taking place in the context of a rapidly changing economy both in Australia and in New South Wales. We have seen a significant decrease in mining construction; we still have the whole Asian growth phenomena; we have an ageing economy; and we have this thing called digital disruption, which is impacting on not only education but also elsewhere in our lives.

Of course in a knowledge-based economy a skilled workforce is critical. It is our position that it is student choice that drives quality, efficiency and innovation—rather than public policy or this notion of contestability. It is ultimately about student choice. But it is not just about competition. We do not believe it is about public versus private or that public is good and private is bad or vice versa. Both types of organisations have incredibly important roles to play. Just as importantly, government has a critical role to play also. This reform builds on some 20 years of microeconomic reform, largely through the national competition policy. User choice is an example of what has worked in New South Wales in terms of reform, but notwithstanding that the current reform agenda around Smart and Skilled is obviously very important.

I note that New South Wales is experiencing quite flat enrolments. There has been no increase in expenditure in over 10 years, which obviously puts pressure on all types of providers. It also means that efficiency, quality and innovation are incredibly important. When I say that government has a role to play, I mean that it has a role to play in designing the market. It has a role to play in determining who plays in the market and the barriers to entry. It has a role to play in terms of subsidy levels and the public value used in determining subsidy levels and, just as importantly, the oversight, the intervention and the management of those markets.

We believe that Smart and Skilled actually represents a lost opportunity in that, because of some of the failings of the process, New South Wales is not going to be on track to meet some of its qualification growth targets. We note that the Auditor General's report talked about a series of compromises in determining the public policy agenda. In terms of the procurement process, it is certainly the evidence of our members that there has been a lack of transparency in the process. Providers with a long history of government and industry training were ultimately excluded from the process, and this process caused enormous frustration. I am now happy to take questions from Committee members.

The Hon. DANIEL MOOKHEY: I thank you for appearing here this afternoon. We are very grateful for the time you have taken. I will start with aspects which surfaced at the end of your opening statement, in particular the concern about the procurement process. I guess this relates to the mechanism of entry into the market. We have heard evidence that roughly 330 contracts have been let to the market. There are roughly 4,000 registered training organisations [RTOs] nationwide and around 1,200 in New South Wales.

Can you give us a bit more information about the general view of your members about the calibre and the quality of the procurement process and the understandability of the criteria. Could you elucidation that part of your opening statement in which you said that there is widespread concern about the lack of transparency

around who was selected and who was not. Was the system geared towards recognising long-established providers of quality education or far more orientated to start-ups or newer entrants in this space?

Mr CAMM: I will start and then hand over to Mr Redman. He is a provider who actually experienced the process so he can probably inform the Committee best of all. Certainly through the various forums that we have held and in the meetings we have had with a range of colleges, I do not think there has been any suggestion that the process was geared towards start-ups; it is just that the procurement process that was utilised was quite opaque. It was not transparent. It was difficult to know the types of funding and models that were available.

While working through an IT system with drop-down boxes and the like, it was not qualitative enough. Normally what governments would do would be to manage their risks by using providers who have long experience with government and industry, but that did not seem to feature here. That was certainly the perception of our membership. Ultimately that resulted in our members who had these long-term relationships largely missing out on contracts. Obviously some of our other members won contracts in this process. I will pass over to Mr Redman to give you some further insight into the granularity.

Mr REDMAN: We received a contract. The application process was confusing. It lacked qualitative information about our organisation and asked questions that I thought were not relevant. It also gave us the contract without giving us the reason why we got it. I know of other providers who have no idea why they did not get a contract. Some of them are organisations with 20 years of experience which had user-choice contracts. We have been given no reason for why we were selected. We were selected on a couple of qualifications in a couple of regions. So we do not why we did not get selected for our full range of qualifications in the regions that we applied for. We still do not have that information as of today.

The Hon. DANIEL MOOKHEY: Did you have the opportunity to talk to the department or to make inquiries of anyone who I guess is your counterpart in this contract?

Mr REDMAN: State Training Services does not really engage in two-way communication at all.

The Hon. DANIEL MOOKHEY: So presumably you communicate with them but they do not communicate with you?

Mr REDMAN: That is correct. We have had opportunities to represent ourselves to various people at various places. They did not give us any answers. They told us that the selections were made by a computer system. The computer system randomly selected providers. They gave us no transparency around what the inputs were into the selections made. We have emailed State Training Services and had no response back. We have asked questions directly of various members and had no response.

Mr CAMM: Just to add to that, to their credit State Training Services has turned up to a range of forums we have held with providers. So they were quite prepared to stand in front of groups of providers, and those were not always easy discussions for them to have.

The Hon. DANIEL MOOKHEY: Was that before the contracts were awarded or after?

Mr CAMM: No, this was after. But there was still a sense that there was a lack of granularity. To pick up on Mr Redman's statement that the system picked providers at random, I think that was the perception. But State Training Services certainly argued that there was a science and there was a process that determined priority. The challenge has been the lack of a sense of precision around understanding why so that we can work with our membership as to where they have got it wrong.

The Hon. GREG DONNELLY: Mr Redman, in those questions you were asked, were you asked a question or questions about the completion rate for people you have had through your courses in the past?

Mr REDMAN: No, completion rates are a difficult issue. I know everyone likes to look at trainee completions, and it is nice, but certain aspects of training, like traineeships, which is the area we represent, are dependent on employment. So if a person leaves employment, they leave the traineeship as well. We have no control over the completion rate in that particular area. So it is very difficult to manage registered training organisations in my space based on completion when we are only one part of the process. If they leave their employment, for whatever reason, it is hard for us to complete them.

The Hon. DANIEL MOOKHEY: So you receive payment according to completion? You receive three payments: a start-up payment, a mid-way payment and a completion payment.

Mr REDMAN: Yes, that is correct. We do.

The Hon. DANIEL MOOKHEY: But your evidence is that the completion aspect is the most uncertain aspect, essentially because of factors you do not control. So you are carrying the risk for someone not completing as a result, is that the way the funding model essentially allocates it?

Mr REDMAN: First of all, yes, I agree with you on that point: We do carry the risk. We certainly have elements that are within our control. We have hypothetically two years to complete a course. So if that person is employed for two years then we can of course control if they complete. But if they enrol and then within six months withdraw from their employment, we do not have any control over that. They may have only completed 20 or 30 per cent of their course, or even 10 per cent. It is very difficult for us to manage the completion on that basis.

The Hon. DANIEL MOOKHEY: Does that create, for example—whether a for-profit or a not-for-profit provider—cash flow difficulties?

Mr REDMAN: Absolutely, and the way in which we get paid also creates cash flow difficulties.

The Hon. DANIEL MOOKHEY: Can you tell us about that?

Mr REDMAN: We get paid 20 per cent upon commencement of the training. Then we do not get paid anything else until 50 per cent of the training is complete. So if 49 per cent of the training is conducted, we only get 20 per cent of the funds. Whereas other States have a much different model where you get paid on completion of a unit in arrears.

The Hon. DANIEL MOOKHEY: So your view is that that is a better system?

Mr REDMAN: I think so, yes.

CHAIR: Which States?

Mr REDMAN: Almost all the other States. Victoria, definitely, Queensland, definitely, Western Australia. The three other bigger States certainly work on that model.

The Hon. DANIEL MOOKHEY: Can I ask, in a similar vein, about the level of certainty? The concept of a 12-month contract that then becomes a rolling contract up to about three years—that is the evidence we heard from STS this morning. Do you think that is adequate to undertake long-term planning for your institute?

Mr REDMAN: Absolutely not.

The Hon. DANIEL MOOKHEY: Can you tell us more about that?

Mr REDMAN: Yes. In previous years, prior to Smart and Skilled—and I realise that this is about Smart and Skilled—when we would have received a user choice contract we would find out about Christmas time to start a week later. That was user choice. They have made efforts to improve that process for Smart and Skilled but it is still only about a two-month process. You get your contract in October to start in November. So it is difficult to plan years out, the following year, whatever you are doing at Christmas time, now for instance, without certainty of getting a contract or receiving a renewal of a contract or a rolling contract.

The Hon. DANIEL MOOKHEY: Presumably that would make it much harder to plan an investment cycle around plant, equipment, and much harder to plan around investing in training and upskilling staff?

Mr REDMAN: Absolutely. Other States have gone down the path of longer contracts. Queensland has five years, as an example. Victoria is three years. Other States have longer contract times and I am not sure why we do not have that in New South Wales, but yes, it is a difficult process.

CHAIR: It reduces your risk as a provider.

Mr REDMAN: If we had longer contracts?

CHAIR: Yes.

Mr REDMAN: Absolutely.

Mr CAMM: It enables investment. I think all States and Territories started in this place but all contracts, even for the States that have longer term contracts like five years, naturally they still have a provision in them that it is subject to the budget appropriation process because departments cannot plan five years in advance as to what their appropriations will be. But it still gives the provider a little more confidence about long-term investments.

The Hon. DANIEL MOOKHEY: One thing that has been a bit of a thematic this morning has been the quality assurance framework around both ASQA and the contract framework. Several people have provided evidence about whether or not that works. In respect of the contracts that you have received and people who did not receive contracts, is there a widespread enforcement strategy around standards, around audit, around compliance, around quality assessments?

Mr CAMM: As distinguishing as to why you got a contract and why you did not?

The Hon. DANIEL MOOKHEY: Yes.

Mr CAMM: Most certainly our evidence, certainly we have been told that they are not the reasons that were given. Yes, we have a national regulator, which is ASQA. I strongly believe that a national regulator is better than the eight different models that did exist, but you still want a regulator that is well resourced with the right tools and the right powers so it can intervene. But that does not shift away from a State Government's responsibility to manage their contracts and intervene if they see inappropriate behaviour or trends and the like. Certainly, back to your question about a distinguishing feature in the decision-making process about why provider A got a contract or provider B, while there were these risk matrices and things it just did not seem to make sense.

The Hon. GREG DONNELLY: With respect to the work done by IPART and the methodology that it used to establish the cost framework or the cost methodology for the courses, did you as an organisation have any input into that?

Mr CAMM: No.

The Hon. GREG DONNELLY: Are you aware of the IPART exercise?

Mr CAMM: I have certainly read their paper and of course pricing in education is always a challenging task. I thought they grappled with some of the principles okay but ultimately it is a question of government priorities, industry priorities in terms of economy and public value is quite important. What is the value that a government would attribute to one qualification versus the other? Then there is this whole notion of government subsidy and the student contribution and how that works together. So the principles are there but it is not an exact science.

The Hon. GREG DONNELLY: Are you aware that there is a review underway at present?

Mr CAMM: Yes.

The Hon. GREG DONNELLY: Do you intend to participate in that review?

Mr CAMM: As much as we can.

The Hon. GREG DONNELLY: As much as you possibly can.

Mr McDONALD: We did yesterday. We have worked quite closely with the Nous Group, which has been engaged by the Skills Board to undertake the training, so we have helped them in promoting the review

opportunity and participation to our members. As a result of some of the work that we have done, they have had quite a healthy response to their consultation sessions. Yesterday they had to conduct a second one and find larger venues.

The Hon. GREG DONNELLY: Without pre-empting what will come out of that review process—we understand it will be done in two phases—but more generally perhaps with your members, what are the key themes or the key narratives coming out about their slightly less than 12 months experience with Smart and Skilled? What are the key issues that they are wanting to reflect in their participation?

Mr McDONALD: One of the major key issues is reputational damage that has come out of it for our members, the 330 odd providers who were awarded contracts. We have been advised by State Training Services that there were another 150 odd private providers who tendered for contracts, who met the quality benchmark of State Training Services but as a result of reduced funding that was not made available to State Training by the Department of Treasury there was not enough money as a result of their algorithm to allocate to those 150 providers. We have a number of members who were not issued contracts.

CHAIR: Previous witnesses talked about start-ups, some of those that could be seen as a cash grab. Do you have any comment about those systems and what can be done to address that situation?

Mr CAMM: We are strongly against it. We want educational quality. Make no mistake: it hurts our membership as much as it hurts TAFE if poor decisions are made around the quality of the provider. One of the elements is a longstanding relationship with students, industry and government. We think that is incredibly important. The sector is changing quickly. There are various consolidations and takeovers and all those sorts of things. I guess that is the modern world, but we want to deliver both Smart and Skilled training or training for the Commonwealth colleges with genuine commitments and genuine investments.

Mr REDMAN: I am not sure why the start-up and the cash grab has gained any kind of traction.

CHAIR: Tick and flick.

Mr REDMAN: I say that because—330 providers got a contract, but of those 330 provider, how many actually got a meaningful contract? A \$10,000 contract is not a cash grab. That is a disaster for the RTO. For an RTO that got a contract, like us, it is not a meaningful contract; it is survival for us and we have been in business a long time. I do not know any provider that is new or a start-up that got a contract. There were multiple provisions in the application process around having user choice contracts and being a designated provider prior to being able to ask for a contract for Smart and Skilled.

Dr JOHN KAYE: I suspect that remark is made with respect to VET FEE-HELP, not with respect to contracts under Smart and Skilled.

Mr REDMAN: Obviously there are two separate ball games, but I can comment on the two.

CHAIR: Please do.

Mr REDMAN: In relation to Smart and Skilled, from my experience it is very difficult for even quality, long-term providers to get a meaningful contract, let alone a start-up to get a meaningful contract and grab the cash and run. Plus the way we get paid, we get paid 20 per cent to do 50 per cent of the work. All the risk is on the provider. It is very much skewed in the direction of the provider holding the risk. I do not see a lot of avenues for cash grabs if they even exist.

Dr JOHN KAYE: Let us step back a bit to the whole issue of the competitive market. In your submission you talk strongly about the need for competition. I think what you are really asking for is sector blind competition.

Mr CAMM: What does sector blind mean?

Dr JOHN KAYE: Sector blind means that you treat a TAFE college the same way you treat a private provider operating for profit, the same way you treat a not-for-profit private provider, the same way you treat an enterprise training undertaking.

Mr CAMM: No, I am sorry; I do not accept that as a premise. What we are arguing for is that there needs to be student choice in the marketplace. It is the Government's responsibility to determine the priorities. It is the Government's responsibility to determine what they think should be delivered by the public provider and how that should be funded. But we also strongly believe that if a student has to make a decision for their future, be that employment or education, they should have a right to choose the best provider for them. We certainly do not accept that it should be a weird notion of 100 per cent contestability. That is not our position.

Dr JOHN KAYE: That is a good question. What percentage of contestability do you think there should be?

Mr CAMM: I think that is a decision for government. We do not have a figure in mind.

Dr JOHN KAYE: You do not think it should be 100 per cent; you clearly do not think it should be zero per cent so you must have a view somewhere in there.

Mr CAMM: No, I do not. I think it is about government determining what the appropriate percentages are based on priorities.

Dr JOHN KAYE: We are advising government—

Mr CAMM: Can I answer the question? Ultimately it is about government determining where the gaps are in the marketplace and where the jobs are in the future economy, and then government can design its process around what providers are best doing. If that is TAFE, so be it.

Dr JOHN KAYE: With respect, a decision was made at the original handing out of contracts, which has clearly annoyed your members, which was that TAFE would be favoured in that process. So it was not a fully contestable market. Your submission is critical of Smart and Skilled. You refer to it as a lost opportunity.

Mr CAMM: Correct.

Dr JOHN KAYE: I do not understand what you mean. Do you want a form of contestability that says that there is no difference in the way—which is more or less what we have now—it treats a private provider that is operating for profit and a not-for-profit private provider, an enterprise trainer and TAFE?

Mr CAMM: It is about accepting the market. I understand what the member is trying to elicit but what we are saying is the frustration in the membership was not about whether TAFE got funded or not. Everyone accepts that TAFE has a legitimate role. It is a function of public policy and some of those community service obligations should be funded. We have no problem with that. It should be done transparently so the citizens of the State understand the level of investment. Then it is about the gaps in the market.

Dr JOHN KAYE: So what was the frustration?

Mr CAMM: The frustration was the complete lack of transparency in that process. People were trying to tender. They did not understand the criteria, they did not receive adequate support and information around it or even understand what quantum of funding was available.

Dr JOHN KAYE: Fair enough. Let me step back from that. Do you think there is a reasonable form of competition that can be run between, for example, a private provider that is operating for profit and, at the other end of the extreme, a TAFE college?

Mr CAMM: Absolutely.

Dr JOHN KAYE: So you think they can compete, even though they are delivering totally different—

Mr CAMM: I think they do.

Dr JOHN KAYE: Well, they do but can they compete in a way that one would expect to produce sensible, rational outcomes?

Mr CAMM: I think so. As long as government does not abrogate its responsibility around the market and what the quality steps are, I think they can compete. TAFE has a long proud history of competing in the marketplace and competing successfully. Good quality colleges do likewise. There are tremendous partnerships between public and private providers. It is not a black and white issue.

Dr JOHN KAYE: There certainly are partnerships and we have seen some great examples of those, but my question was more about competition read in tooth and claw between a private provider and a public system where the private provider's emphasis or focus—in fact, legal requirement—is to maximise its profit, whereas the public provider, in its DNA, is there to produce education equity and quality outcomes. Do you see that inevitably someone will lose out badly when you have those two working against each other to try to find a part of a finite size market? Do you think inevitably someone will lose?

Mr McDONALD: I make the point that for-profit does not mean not-for-quality. We have a number of providers who take quality very seriously.

Dr JOHN KAYE: Fine, but I want my question answered. Do you think that someone will lose in that?

The Hon. CATHERINE CUSACK: Point of order—

Mr REDMAN: Can I give an example of some people who have lost?

The Hon. CATHERINE CUSACK: The member made some negative comments, and I think the witnesses should have the opportunity to respond to them.

CHAIR: I think the witnesses are strong enough to address them—I think Mr Camm did that earlier—and I think they will do it again if necessary.

Mr REDMAN: I will give an example. I will tell you who loses out once TAFE becomes competitive. We had a scenario where we were not given funding for certain qualifications. We have referred that business off to one of the TAFE campuses and asked them whether they wanted to take over the training opportunity within that organisation. I think there were about six or seven students with disabilities who were working for a not-for-profit who were getting work experience with that not-for-profit. TAFE came back to me and said, "I'm sorry. They're not big enough. We can't make any money out of it. We can't provide the training." That is an example of who misses out once you get a competitive scenario: The student does. That is disappointing from our perspective because we cannot service them. We did not get a contract to service them, and TAFE, which has the contract, could not or decided not to for whatever reason.

Dr JOHN KAYE: Or could not afford to do it. How would you resolve that problem? You have identified a really serious problem. What would you do for the market design that would solve that?

Mr REDMAN: Firstly, there are whole bunch of people in this room who do not have the magic bullet and I do not either.

CHAIR: It is a very good blender though.

The Hon. SCOTT FARLOW: It is a bit dangerous to worry about bullets and blenders.

Mr REDMAN: I think firstly what you need to do is to open it up to all providers to provide a range of qualifications that they choose to deliver. We wanted to deliver a whole bunch of qualifications. We were not given a contract to do so, so that automatically takes us out of the market. I would have been more than happy to deliver that training to that particular client.

Mr CAMM: Can I just make one more comment if that is okay?

CHAIR: Yes.

Mr CAMM: I fundamentally believe that competition can be good for both TAFE and for quality private organisations, as is evidenced in the secondary school sector and if you look at employers, employers pick private providers three to one for TAFE. So if you give an employer a choice they will pick a private

provider; that is not because private providers are a pull, but because employers see them as offering a quality product.

Dr JOHN KAYE: Or a shorter product.

Mr CAMM: I do not accept that premise.

Mr McDONALD: A contestable market is good all round for the economy. If students are opting for either TAFE or for a private provider, that then forces the other provider to lift its game in order to attract its students to stay in the game. It becomes cyclical and then drives quality education and a good economy.

Dr JOHN KAYE: Mr McDonald, do you know the difference between a perceived good and an experienced good? Do you understand that vocational education and training is a perceived good; you only do it once so it is not necessarily that they lift their game, they just get better at marketing their good.

Mr McDONALD: I disagree.

Dr JOHN KAYE: How can you disagree?

CHAIR: Order! Can I just ask my question? Your submission on page 4 of 12, last paragraph states:

Issues with the Australian Government's *VET FEE-HELP*, where once again a "hands-off" approach (until recently at least) has led to some poor program outcomes ...

What do you mean by "until recently"?

Mr CAMM: I think the former Assistant Minister, Simon Birmingham, has made some very valuable decisions to try to put appropriate controls in place for VET FEE-HELP. VET FEE-HELP is a program that grew incredibly quickly without a lot of outcomes or control measures in the process. I think we have all seen in the media some perverse outcomes from that.

Dr JOHN KAYE: I go back to the issue of perceived good versus experienced good. You make the point that you want foundation skills opened up to the market; you want there to be competition for foundation skills?

Mr REDMAN: Not just foundation skills, targeted priorities.

Dr JOHN KAYE: Sure, all of those.

Mr REDMAN: A whole bunch of other funding areas.

Dr JOHN KAYE: Can we just focus on foundation skills for a minute?

Mr REDMAN: Yes, sure.

Dr JOHN KAYE: You want students to be making a choice; these are students who, by definition, have an absence of study skills, learning skills and knowledge?

Mr REDMAN: Just employment skills.

Dr JOHN KAYE: But also in most cases a range of life skills. How do you expect them to make a decision between Aspire, Avoca and TAFE, for example?

Mr CAMM: I think that information asymmetries in the marketplace are very important for us to talk about because I think that is a gap in the vocational education and training sector. It is difficult for students to be able to distinguish between a good product for them versus a poor product. I think government has a role; we all have a role to try to answer those questions.

Dr JOHN KAYE: How?

Mr CAMM: By making the information available, by making it far more transparent, by requiring a very simple set of measures that identify capacity, capability and outcomes. I still think it is an issue we have not yet resolved. No doubt some young smart person who can design an app can probably fix it for us but the information asymmetry, I agree with you, is an issue. Certainly in the foundation skills area I would not accept that the outcome should be: Let a thousand flowers bloom. But I do think that there are plenty of quality colleges, private and public, with great track records in delivering foundation skills, employment skills, disability training and training to Indigenous communities. It is ultimately not what the Government's model is. It does not matter whether they are owned by government or not owned by government. There are some fantastic outcomes in that sector.

The Hon. CATHERINE CUSACK: Students applying for university tertiary education have a choice of providers. What is wrong with giving kids going for vocational education a choice of providers?

Mr REDMAN: Nothing.

The Hon. CATHERINE CUSACK: Do you think that one group is more capable of making a choice and that the other group is incapable?

Mr CAMM: Certainly do not. Obviously we support student choice. We think the Harper review into national competition policy identifies what the framework should be. There have been some mistakes in public policy where the view is: Give everyone a choice but do not monitor and manage it. As long as government takes that responsibility, I think the market can work.

The Hon. CATHERINE CUSACK: There is some suggestion that there is a big free for all going on in vocational education but the truth is that Smart and Skilled has severely curtailed that. Am I correct in suggesting that your perception is that it has been curtailed too much?

Mr CAMM: Yes, I would have thought so. I think there are inflexibilities in the Smart and Skilled procurement process, for a start, but even in some of the measures around the regional allocation, so good providers cannot present themselves as an option because they might have 1½ training places, as Mr Redman's organisation experienced, so that is hardly adding the benefits of competition around innovation.

The Hon. CATHERINE CUSACK: In a sense the competition has been quite restricted, has it not, by the process that has been adopted?

Mr CAMM: Correct.

Mr REDMAN: It has.

Mr CAMM: Including price provider levels.

The Hon. CATHERINE CUSACK: What do you think about the idea of allowing students to choose the institution and the course they want to go to, which they are not able to easily do at the moment?

Mr CAMM: We strongly support it but with an appropriate quality paradigm that sits around it.

The Hon. CATHERINE CUSACK: It has been suggested by people arguing TAFE's case that nobody except TAFE is looking after disabled students but your evidence today suggests to the contrary. Can you talk us through the issue of disabled students and the private sector?

Mr CAMM: I will touch on that but Mr Redman has real expertise in this. You only need to look at the report from the National Centre for Vocational Education and Research. It has done a range of important qualitative and data studies on this. Despite all of the negatives that came out of Victoria—and I am not trying to defend it—there were some very high-quality examples about training participation that increased for people who are disadvantaged in the labour market, including people with disability. That was a result of both public and private competing in that space.

Mr REDMAN: Our organisation teaches students with disabilities so I am not sure why TAFE thinks it has the exclusive domain for teaching students with disabilities. I know plenty of providers that teach students with disabilities.

The Hon. CATHERINE CUSACK: Why were you able to teach those students but when you requested TAFE to take them on, they were not able to?

Mr REDMAN: The reason we requested it was that we did not have the funding available to our organisation. That was not part of our contract so we referred a lead; they just happened to be disabled in this particular instance but I have other examples where I have done that where there was no disability involved. They decided that they could not do it or they did not want to do it for whatever reason.

The Hon. CATHERINE CUSACK: So they had the contract—

Mr REDMAN: That is correct.

The Hon. CATHERINE CUSACK: You did not have the contract?

Mr REDMAN: That is correct.

The Hon. CATHERINE CUSACK: If you had the contract could you have taken them on?

Mr REDMAN: Absolutely; of course.

The Hon. CATHERINE CUSACK: Why is it that you could take them on but TAFE was not able to?

Mr REDMAN: We are all regulated by the same people, so we all have the same standards for trainers and everything else. We all have access to the resources and everything else. One is a public provider and one is not. For us, it is not an issue at all to teach people with disabilities.

Mr McDONALD: One of the points we would like to get across today is that private providers as primarily smaller operators have the flexibility to adapt and customise that perhaps larger organisations do not, so they can run a business that suits the demographic that they are trying to educate.

Mr REDMAN: Plus we do not have any cost constraints as other providers do, so taking on five people at a particular employer is bread and butter stuff for us whereas it may not be for the public provider.

The Hon. CATHERINE CUSACK: When you get a contract, you get a right to subsidised places, is that essentially what you have won with the contract?

Mr REDMAN: The contract that we received was incredibly confusing and is still confusing to this day, even though they have made some changes to the process. We received an amount of money that we could spend in a qualification in a certain region. That is what we received. There have been some changes along the way and largely the changes have been very good, very welcome—and there are some more changes coming, I believe. Today we have funding for a particular area, which we can deliver all the qualifications we applied for in a particular area and we get a capped amount. As for how that capped amount works, it is still ambiguous.

The Hon. CATHERINE CUSACK: Is it a per student amount that is capped?

Mr REDMAN: No. It is hypothetically \$50,000 for five qualifications in the Newcastle region. That amount is difficult for us to work with. We might spend \$45,000 of that in the next, say, nine months. We have not been offered a contract for next year yet so we do not know how that will work if we do not get offered a contract, if it rolls over or whatever that may be. There is some lack of information there at the moment. We had a model last year under user choice with the other States where you get a funded place or position and that seemed to work a whole lot better and all the other States used the same model. I am not sure why we changed to a capped model.

The Hon. CATHERINE CUSACK: I must yield to my colleagues, but basically the Government was funding students but is now purchasing qualifications?

Mr REDMAN: Yes. They are giving us an amount of money to spend. I do not feel as though it is particularly targeted.

The Hon. CATHERINE CUSACK: Were your disabled students in the middle of something—

Mr REDMAN: No. What do you mean?

The Hon. CATHERINE CUSACK: —when you lost the contract?

Mr REDMAN: No, we did not lose it; we just did not receive funding for that particular area.

The Hon. CATHERINE CUSACK: So there were students you would have taken on?

Mr REDMAN: That is correct.

The Hon. CATHERINE CUSACK: But could not?

Mr REDMAN: That is correct.

Dr JOHN KAYE: To be absolutely clear, you are not given money; you are given entitlements with respect to students and you only get that money if you educate the students?

Mr REDMAN: That is correct.

Dr JOHN KAYE: I just wanted to clear up what you said.

Mr REDMAN: Of course.

The Hon. SCOTT FARLOW: That is in terms of the three payments as well?

Mr REDMAN: That is correct.

The Hon. CATHERINE CUSACK: So TAFE not being able to take on those students and not having the contract is obviously revenue that TAFE does not get?

Mr REDMAN: That is correct.

The Hon. CATHERINE CUSACK: So they are losing revenue because their cost structure is such—

Mr REDMAN: Yes, I believe so.

The Hon. SCOTT FARLOW: I want to put a couple of comments to you that were raised by the unions previously that I think it is only fair for you to be able to respond to. Mr Mulheron said before that your businesses or private training operators are not running a for-profit college because you are interested in training and if the mechanisms of Smart and Skilled were not there you would go and operate another business. Would you like to comment on that with respect to your members and their motivations?

Mr CAMM: Sure, and thank you for the question. I think that the majority of colleges operating in this sector have deep histories in education. Lots of them came out of the TAFE system where people with particular passions go out and set up their own college.

Mr McDONALD: Mr Redman is a former TAFE teacher.

Mr CAMM: Certainly I strongly believe that the premise identified in that particular point is grossly inaccurate. Notwithstanding that, there have been some public examples of colleges that did not appear to have that type of commitment to the core of education but it is certainly our position that is in the minority.

The Hon. SCOTT FARLOW: Mr Redman, what motivated you to go from being a TAFE teacher to then running your own business and training enterprise?

Mr REDMAN: I have been in the VET sector since 1996. I am a former TAFE teacher, worked as a trainer and teacher for various organisations, public and private, moved into the management aspect of private providers and then eventually had the opportunity to then own and operate an RTO. It was just a natural

progression, I suppose. I started off as a teacher and trainer and the notion that we are just businesspeople, well, I am not. I am also a business person.

The Hon. SCOTT FARLOW: I put to you one of the other comments that Ms Cusack picked up before, which was from Ms Sharkey, that there had been an influx of what she deemed to be not genuine businesses after Smart and Skilled. She said before Smart and Skilled private training operators were genuine businesses at least but now after Smart and Skilled's introduction they were not genuine businesses; they were just there to get the money—

The Hon. CATHERINE CUSACK: Pop-up businesses.

The Hon. SCOTT FARLOW: Pop-up businesses. What would you say to that and could you perhaps say how many new businesses received Smart and Skilled funding of those 330 private training providers?

Mr CAMM: You would have to ask the department that question but certainly it is not our view that there are all these pop-up businesses. I would have to say that I would like to see the evidence of that. Certainly businesses start every day but it is not as if we have been overwhelmed by lots of new small providers who want to be members.

Mr McDONALD: One of the requirements, as we understand it, was that you had to have a demonstrated history of education delivery to have been awarded a Smart and Skilled contract so anything to suggest that there is an abundance of start-ups that got awarded a Smart and Skilled contract is an overstatement.

Mr REDMAN: I am pretty sure one of the criteria for the Smart and Skilled contract was that you had to use a choice contract prior. Automatically that eliminates the start-ups—if you want to call it that—from one of the entry requirements. The other one was that you must be a New South Wales business, so that precludes businesses from other States to New South Wales businesses. The notion of start-ups, cash grab may be a beat-up.

The Hon. CATHERINE CUSACK: You used the word "algorithm". I asked the department about the algorithm this morning and they denied that there was one, although I think the word "formula" might have been used.

CHAIR: Methodology.

The Hon. CATHERINE CUSACK: We want to get to the bottom of this to document what the process was. They have taken that on notice. Why do you use the word "algorithm"?

Mr CAMM: The reason our members have often used algorithm is that you have to step through a series of questions with drop-down boxes, through an information technology system and, ultimately, somehow an algorithm or a formula determines risk ratings, contract allocations and the like. I do not know if Gary has a view, but that is what the members believe.

Mr REDMAN: From our own experiences, questioning people from State training, we are no clearer as to how any of the providers got a contract. They have not given us any transparent process or criteria. The exact words, I believe, is that they "put it into the computer system and the computer system told us who was the provider". Then, of course, that generates new questions like what are the inputs into the computer system, et cetera, and we did not get anywhere with that. We are just as confused as you are.

The Hon. CATHERINE CUSACK: Did anybody go out of business?

Mr REDMAN: Hundreds of businesses went out of business. I shed half of my staff. I know plenty of businesses. We are talking about industry associations that went out of business. They are the ones you will never get back. Peter, I am sure, has a whole bunch of members that went out of business and they are not coming back because of the debacle that was the application process.

Mr McDONALD: I cannot quantify the number of businesses that have gone out, but I have had it said to me by member colleges that they would not be able to continue to operate and, yes, they have ceased operation.

CHAIR: Thank you. That concludes this session. The use of "algorithm" has issues because it rejected someone with about 13 awards in their particular area. Needless to say we put that on the record earlier this morning. That explains it a little bit. Thank you for your time and evidence. It has been incredibly helpful. Mr Redman, you said you had worked for TAFE before?

Mr REDMAN: That is correct, former TAFE teacher.

CHAIR: For how many years?

Mr REDMAN: I think I was a TAFE teacher for four or five years.

CHAIR: What did you teach?

Mr REDMAN: First aid.

CHAIR: You might have taken some questions on notice. You have 21 days to answer those questions. The secretariat will be glad to help you if you need further assistance. Thank you for your evidence; it has been very helpful.

(The witnesses withdrew)

(Short adjournment)

ANDREW NEWMAN, Deputy President, NSW Secondary Principals Council, and

BRETT CARR, Member, NSW Secondary Principals Council, affirmed and examined:

CHAIR: Welcome to the inquiry. Would either of you like to make an opening statement?

Mr NEWMAN: Yes. On behalf of NSW Public Secondary Schools, the issues we face affect students and their choices, particularly when it comes to vocational education. TAFE vocational education and training [TVET] costs into the future are unknown and may be complicated by the splitting of TAFE from the Department of Education. We see that as leading to more competition with private providers who do not necessarily provide the same sort of service for us. The cost of training staff members and maintaining accreditation is very costly for our public school education system. The cost to schools also to provide facilities and maintain them is a massive challenge and it is a massive challenge to our department as well, particularly in areas such as hospitality and commercial kitchens, and construction. Work placement is also a big issue and the impact that the Board of Studies, Teaching and Educational Standards has in respect of requiring our staff to visit places. It impacts on how we operate in schools and it also varies according to the industries that are available to support us.

Transport costs for students can be much more of an impact in the country, but it is also a major factor in the city. It often determines whether students choose or not choose a VET subject, depending on what is involved in terms of the travel. The availability of courses across the State is not equitable, and that is understandable, but distance, student numbers and trained staff become big factors. Of course any decline in what TAFE is offering is also a big impact. Whilst the workload for VET and the maintenance of records for the Australian Skills Quality Authority—audits and things like that—are very time consuming, it can have a big impact on the school. However, we see VET as an integral part of the curriculum that is offered for students and it should not be cut back. It should be offering more and more choices for students, particularly in the areas of skill shortages. We see it as a valuable and very important part of the curriculum.

The Hon. CATHERINE CUSACK: Why do you think VET has been cut back?

Mr NEWMAN: It has been cut back in a number of ways. Our department decides what frameworks we can offer and it depends entirely upon having trained staff to do that. It also comes down to the costing factor as well. If we wanted to run some of these frameworks in schools, we have to have the facilities, we have to have the staff and we have to have the approval of the regional training organisation [RTO] before we can. Of course, that is restricted by the amount of money we have to put that in place.

The Hon. CATHERINE CUSACK: Has your funding been cut back?

Mr NEWMAN: It has remained stable for a period of time.

The Hon. CATHERINE CUSACK: Why are you saying it has been cut?

Mr NEWMAN: Well the funding across the board has increased in other areas whilst this has remained stable. It has not increased to the same extent, yet our numbers—in our case—are particularly large. We are one of the biggest providers of school VET in our public education system.

The Hon. CATHERINE CUSACK: I understand that. I am trying to get to the bottom of this "cut".

Mr NEWMAN: It has not been increased is what I am saying.

The Hon. CATHERINE CUSACK: Okay. Do schools ever partner with non-government providers?

Mr NEWMAN: Yes, that has happened, particularly under the trade training initiative that was put in place by the Rudd Government. We have one example of that on the Central Coast, which is based around Wadalba. There are others in the State, but it is not a major factor for schools. It depends upon geography, facilities and the willingness of schools to work together, and then it comes down to the timetabling, when you can work it out and have those facilities free to be able to be used.

The Hon. CATHERINE CUSACK: You are saying essentially that schools would normally default to TAFE?

Mr NEWMAN: Not necessarily. It depends on where you are and what trained staff you have. Brett might be a better person to answer this question. We are one of the biggest providers and we encourage our students to stay with us and do it at school. As we put in our submission, if a student goes to TAFE and then after two or three weeks decides to come back, we have already lost that resource. Whereas if they do that course on site and then decide to change, we still have the resource of the school to be able to change the subject area.

The Hon. CATHERINE CUSACK: These are new funding conditions that you are talking about now?

Mr NEWMAN: They are not new funding conditions. The funding for Government schools in terms of TVET—TAFE—have been in place for some time. What happens, for example, if a student is doing two units of TVET, we lose the equivalent amount of staffing and that goes to TAFE.

The Hon. CATHERINE CUSACK: Yes.

Mr NEWMAN: We do not get it back if the student stays for only two weeks and then comes back to us. We then have to cope with that student without the allocation of resource. Over a big number of students, that adds up quite considerably.

The Hon. CATHERINE CUSACK: Who gets the money?

Mr NEWMAN: TAFE.

The Hon. CATHERINE CUSACK: TAFE retains that?

Mr NEWMAN: Yes.

The Hon. CATHERINE CUSACK: Even though the student did not complete the course?

Mr NEWMAN: Correct.

The Hon. CATHERINE CUSACK: They are telling us that they do not get the money.

Mr NEWMAN: They most definitely do get the money.

Dr JOHN KAYE: This is TVET; it is different.

The Hon. CATHERINE CUSACK: Are you aware of the transition plan for VET associated with the introduction of the National Disability Insurance Scheme [NDIS]?

Mr NEWMAN: I am not fully around that one.

The Hon. CATHERINE CUSACK: Is there a transition plan for the introduction of Gonski?

Mr NEWMAN: In respect of Gonski there are lots of plans. In the first four years they are fairly minimal. I am not aware of any huge impact that is going to occur except on a school-to-school basis, because the additional funding is coming through the Resource Allocation Model [RAM], which is based on the Gonski funding. Each school will make the decision as to where they put their resources.

The Hon. CATHERINE CUSACK: It occurs to me that there are complex and major shifts in the way funding is being organised, primarily with the object of increasing student choice, but it is not clear to me what arrangements are in place to look at how this is going to unfold at a local level as those changes come in. We have the Commonwealth State transaction, which is a big transaction, but then what work is happening at the coalface for how that will affect schools and what opportunities or challenges it results in?

Mr NEWMAN: My understanding is that it will vary dramatically from school to school, depending on whether they get an increase in funding or whether they are stable. Our senior campus is relatively stable in respect of its funding, and Brett is involved in running the VET courses. We do not have a lot of additional resources to be able to put to that, so we work within existing resources, whereas our two year 7 to year 10 campuses have had quite considerable increases in their funding.

The Hon. CATHERINE CUSACK: Mr Carr, do you have a picture of the future and what it is going to look like, and are you getting assistance and advice about what that is going to look like?

Mr CARR: One of the biggest challenges we are faced with at a local level is the lack of access to support with the restructure of our RTOs. We did have 10 RTOs; we now have four RTOs. That means a cut in staff and consultants that are assisting our staff with making sure that we are maintaining the quality of service we are set to deliver.

Dr JOHN KAYE: Mr Carr, you might want to explain what you mean when you say four RTOs. I do not think the Committee members understand that they are the department's own RTOs.

Mr CARR: That is right. The department had 10 registered RTOs across the State.

The Hon. CATHERINE CUSACK: Operated by the department?

Mr CARR: Yes. They had a structure within itself where they would service that particular area. We have basically taken 10 areas to four. Those four areas are obviously much bigger areas with the same amount of staff. For example 10 areas had, say, five staff. Four areas now have five staff, so we are talking about melding 10 areas to four areas and trying to get access to consultants to have those discussions. It can be quite difficult. At a local level, for us, we look at what we can offer in our staffing, like every school does. We look at what our clientele pick. Fortunately, for our context, we are driven by student choice whereas some schools do not have that luxury. They have to go by what teachers they have available to them. Because we are a college structure, we have the flexibility to move staff between three campuses. For us, the effects are sort of business as usual because we have the flexibility to be creative within ourselves. As for what other schools are doing, I could not say.

The Hon. SCOTT FARLOW: Can I pick up on the point you were raising before. I was caught on the hop. You made the comment that the resources in your schools are being stretched. I know you are making a comment about the cost, the money you forego by sending students to TAFE, but if you put students who want to take vocational education into TAFE, does that not address some of those concerns with stretched resources on site? We have seen a lot of wonderful of TAFE facilities that have impeccable resources. Would that not be a way to address some of those issues?

Mr NEWMAN: It would vary from school to school. In our case, the geography works against us as well because students have to take a minimum of two buses or a bus and a train to get to TAFE. After they have done it for a short period of time—as I said, we had, historically, a number of students who would come back and say they do not want to continue doing it, and we have lost the resource. In respect of resources, for example, we built a commercial kitchen out of school funds that we saved up for and that is considerable in respect of the resource that was put into it. The whole reason for doing that is we have a huge number of students who want to do the hospitality courses, food and beverages, and the other ones as well.

We now have the facilities to do that and to assess them on site, whereas when they were going elsewhere, we had the drop-off. It is a combination of looking at what we have got, looking at geography, looking at clientele and trying to do the absolute best for our students to give them the options. After the first four weeks in year 11, for example, we had around about 400 students who wanted to change subjects, and some of those wanted to change within VET and some of them wanted to change from TVET back to school VET and some of them wanted to get out of it altogether. There is a lot of flexibility there and by doing it at the local level, we find we are much more successful and meet the students' needs.

Dr JOHN KAYE: When you say "our case" you are talking about a collegiate school on the Central Coast?

Mr NEWMAN: Yes.

The Hon. CATHERINE CUSACK: Can I ask 400 out of how many?

Mr CARR: Out of 500 year 11 students.

The Hon. CATHERINE CUSACK: So 80 per cent want to change?

Mr NEWMAN: Want to change at least one subject.

The Hon. SCOTT FARLOW: I acknowledge that is quite a significant movement. I am considering the amount of resources that go into setting up something like a commercial kitchen. No doubt it is very impressive, but would there be another way around it like setting up a partnership or something and attaching funding to that? I understand that is not the system at the moment but would something like that address your concerns and allow students to study in a TAFE campus?

Mr NEWMAN: It may. We are working in an area where it is a little bit unknown because obviously with TAFE moving outside the Department of Education the process for funding them is under discussion, as I understand it. After next year we will not be sure as to exactly what the funding arrangements will be. That is one possibility, yes.

The Hon. LOU AMATO: Do school career advisers give different advice or pathways to students in regional areas versus the city in regards to opportunities, jobs and further education?

Mr NEWMAN: It is a little bit like how long is a piece of string. It will depend upon the area, what the student is interested in and what is available in the local area or where they might have to move away from. Most of our careers teachers are particularly well versed in what the options are, but they are also particularly well versed in terms of giving advice that students may have to move or they will limit their options if they stay in the local area.

The Hon. LOU AMATO: There seems to be fewer students willing to enter the trades. Do you know why that may be? Is it because they are encouraged to undertake further education?

Mr NEWMAN: Certainly there has been a push across New South Wales to get above 90 per cent of students finishing the Higher School Certificate [HSC], so that has been one aspect to it. I think that is very laudable and I think it is important that we continue with that. But, again, it will depend. For example, when we go out to place students and they have to do work placement the thing that limits us to a fairly great extent is the availability of businesses to take these students on for work placement. If you are in an area where there are plenty of opportunities then students get that experience quite easily. If you are in an area where it is not available then they run the risk of not completing the course because they have not been able to do that work placement. It will vary upon where you are in the State and what is available to you.

The Hon. LOU AMATO: Last week one of the employers mentioned that if they get some of the students at a younger age, say the equivalent of when they used to finish year 10, they are found to be better apprentices. For some students who do not wish to or do not have the ability for further education and wish to do a trade would you encourage them to finish year 10 and then go into an apprenticeship?

Mr NEWMAN: We work on the basis that if something is offered to a student that they want to do we would encourage them to do it. However, our experience—and I am not talking globally here, I am talking about our experience in our college—is that the biggest issue is that most of the people who want to take them on are waiting until they are old enough to have a driver licence because distance becomes a factor. They need to be able to get to the work site or get to where the person who is working with them can pick them up. That becomes a factor. Public transport is not flash up our way and in other parts of the State it is non-existent, so it becomes a factor.

The Hon. LOU AMATO: What about in the metropolitan area?

Mr NEWMAN: It creates issues in the metropolitan area as well because many of the trades work right across the city and it will depend upon where a student is living. Obviously when they are an apprentice they have to live at home in most cases because they cannot afford to live elsewhere. So it becomes a geographical issue as well.

Dr JOHN KAYE: Mr Newman, I understand you are the principal of Tuggerah Lakes College, is that correct?

Mr NEWMAN: I am the college principal.

Dr JOHN KAYE: Mr Carr, you are the principal of the senior school?

Mr CARR: I am the deputy principal.

Dr JOHN KAYE: Those four that used to be 10 registered training organisations [RTOs] are there to certify your vocational education and training in schools courses, right?

Mr NEWMAN: That is correct, and they do audits within the system each year and ensure that we are complying with the regulations.

Dr JOHN KAYE: Those are largely the Federal regulations. They are to do with the skills packages and with work health and safety requirements.

Mr NEWMAN: Yes, and that we are teaching the right units of work and all of those sorts of things.

CHAIR: Who does the audit?

Mr NEWMAN: Some of the consultants in the RTO. There is usually a principal from another school somewhere in that RTO district. For example, last Monday I was on the one that did Cherrybrook Technology High School as the principal representative.

Dr JOHN KAYE: Those RTOs are accredited by the Australian Skills Quality Authority [ASQA]?

Mr NEWMAN: That is correct.

Dr JOHN KAYE: And those RTOs are effectively the umbrella body under which you conduct VET in schools?

Mr NEWMAN: Correct.

Dr JOHN KAYE: Can we go to TAFE delivered vocational education and training [TVET] for the moment. Let us talk like it is 2014 and there is no Smart and Skilled. A kid in your school decides they want to do electrical trades at the local TAFE college. They go off and do that as a subject. If it is a good local college they will put all courses on one afternoon to help you with timetabling. You would then pay for that only inasmuch as you lost some hours. Is that correct?

Mr NEWMAN: When we do our staffing at the beginning of the year—it has not changed for this year either—we work out how many students are doing a certain number of units at TVET. Those units convert into full teaching bodies and that is transferred to TAFE as a cost.

Dr JOHN KAYE: What is going to happen next year?

Mr NEWMAN: At this stage, next year we will roll on as of this year but 2017 is unknown to the best of my knowledge.

Dr JOHN KAYE: If we think of a school as a separate economic entity, which I do not like to do, you are effectively paying for the full cost of that student going to TAFE?

Mr NEWMAN: I am not sure it is the full cost. I believe the Commonwealth throws in some money.

Dr JOHN KAYE: But you are paying a substantial amount. You are making a substantial contribution to that student going to that TAFE college?

Mr NEWMAN: Yes.

Dr JOHN KAYE: Or private provider—no, a private provider is more difficult.

Mr NEWMAN: Yes, much more difficult.

Mr CARR: TAFE costs approximately \$48 million to \$50 million a year in staffing transfer.

Dr JOHN KAYE: You lose \$48 to \$50 million out of your—

The Hon. SCOTT FARLOW: Across secondary schools in New South Wales.

CHAIR: That is dollars per unit taught, is it?

Mr NEWMAN: No, that is total.

CHAIR: I know it is total but your submission says that in year 11 and 12 the school loses staffing for the two to four units that go to TAFE. One would think that is just a cost movement from your school to the appropriate body that is teaching that child for that time.

Dr JOHN KAYE: Only TAFE.

Mr NEWMAN: Only to TAFE.

Dr JOHN KAYE: That is the equivalent of 480 teachers out of 58,000 teachers. It is not huge, but it might be more significant in some schools.

Mr NEWMAN: Yes.

Dr JOHN KAYE: What are your concerns about what might emerge in 2017? From your perspective how could it get worse for you?

Mr NEWMAN: If it costs more. From that point of view that would severely limit how many students we could encourage to take it on because it would depend upon entirely what we could afford. If it is a transfer of staffing we would have to look at it from that point of view. If it is an actual budget hit we would have to look at it again from that. It is unknown at the moment.

Dr JOHN KAYE: Beyond being told that the current arrangements expire at the end of 2016, have you been told anything else?

Mr NEWMAN: Not at this stage, no.

Dr JOHN KAYE: Tell me if this surprises you. I put the question about what was going to happen under Smart and Skilled to the education Minister, not the skills Minister. He and Dr Bruniges, who is the secretary of the Department of Education, were unaware of the change. In fact, they were both quite surprised when I put it to them. Does that say to you that there has not been a massive amount of consultation on this issue?

Mr NEWMAN: It would assume on the surface but I do not know the facts.

Dr JOHN KAYE: As the Secondary Principals Council—the official representative body of principals across New South Wales in the public sector—have you been consulted? Have you been given any opportunity to have input on how it will play out for you?

Mr NEWMAN: Not at this stage. We have a reference group that is working on it but we have not had any major input at this stage.

Dr JOHN KAYE: Is there a commitment from the department to have finalised this? I am not sure which department it is when I say that. It is probably the Department of Industry and Skills. Is there a commitment from them to have this finalised by midway through next year so you can plan?

Mr NEWMAN: We would believe so but we only know the scant amount of information that we do at the moment.

Dr JOHN KAYE: In terms of the planning cycle of a typical public school like Tuggerah Lakes, in order to do orderly planning for the 2017 school year when would you need to have the arrangements finalised?

Mr NEWMAN: We would need to know definitely by the middle of next year because we go into our subject selection starting from the beginning of term 3. In fact, we actually do a little bit of work before the end of term 2 and we have just about everything in place by the end of term 3.

Dr JOHN KAYE: That is because the HSC starts in year 11 at term 4?

Mr NEWMAN: No, most schools would do it at that stage. But you have also got to take into account that there are some schools who do a compacted curriculum and they move their students into year 11—or in some cases from 7 right through to 12—at the beginning of term 4. We also put in a new timetable at that stage.

Dr JOHN KAYE: It would be very important for public schools across New South Wales that have students going into TVET to have this nailed down in nine months?

Mr NEWMAN: Yes, it is. Certainly the time line that we have with TAFE at the moment is we are not always 100 per cent sure of students going in well into term 4 when acceptances are done. But in terms of the funding costs, we need to know that ahead of time.

Dr JOHN KAYE: To plan how you allocate your money and so on. Are you concerned that the VET you do in schools is being impacted by changes in the vocational education and training marketplace?

Mr NEWMAN: It would be in some schools around the State. We are not as impacted in our college because we are a little bit isolated from that, but there would be places around the State where they would be impacted because there are far more private providers and far more options within TAFE colleges to go to.

CHAIR: At the second last page of your submission you say about the effects of a competitive training market:

The opening up of the market has seen a demise in many TAFE offerings, necessitating additional travel and time if students want to access specific courses. Public schools aim to run as many frameworks as they can, within the constraints of timetables, accredited staff, compliant venues to deliver courses ...

Going back a couple of questions ago, are you saying that the school is thinking we will embrace a teacher that can do that and this and we will get to keep their funding within our school budget and be able to meet the needs for the VET course within our school context rather than providing the course out there? Is that a clear understanding of it?

Mr NEWMAN: That is partially correct. When we are doing our staffing, though, you have to take into account that the VET teacher will be teaching something else in one of the other curriculum areas as well.

CHAIR: That is where the pressure comes in. In the next line you talk about the workload becoming quite heavy.

Mr NEWMAN: That is right. For example, when they go out on work placement to check on students their other key learning areas [KLAs] still need to be taught.

Dr JOHN KAYE: On the second last page of your submission you also say:

Additionally, private providers are not usually willing to vary delivery times to better accommodate the students' school pattern of study for the HSC.

Can you elaborate on that and tell us whether in your experience TAFE has been willing to vary the delivery times to accommodate your needs?

Mr NEWMAN: TAFE certainly has in our situation. Tuesday afternoon has been the TAFE afternoon for some time. In other areas it will be different days. But it depends upon the willingness of TAFE to do that.

With private providers obviously it is when they are available to do it. That comment comes from colleagues from around the State when we were writing this paper up who said that is not always the case. If a student goes to a private provider and is missing other lessons then obviously they have a catch-up to do as well.

Dr JOHN KAYE: That is a problem for the student and the school.

Mr NEWMAN: Yes, and it increases the student's workload.

Dr JOHN KAYE: Your experience as a principal and your colleague's experience is that TAFE has been very flexible in meeting the needs of schools?

Mr NEWMAN: Certainly in my personal situation where I have been, yes, it has. I believe that is the case in many parts of the State but not all.

Dr JOHN KAYE: That has not changed since the advent of Smart and Skilled? That has always been the case?

Mr NEWMAN: Yes. From memory we negotiated it on the Central Coast about 15 or 16 years ago to go for a Tuesday afternoon. We used to have an overflow on a Thursday afternoon, but we have been able to accommodate them all on a Tuesday afternoon now.

Dr JOHN KAYE: In your dealings with TAFE it has been a responsive, flexible, open and transparent organisation?

Mr NEWMAN: In some aspects. The big issue we have with TAFE is the fact that they do not provide the welfare that schools do for the students. For example, if a student is not coping in the school situation there is a whole heap of welfare that we put in place to support them, encourage them and assist them. That does not occur at TAFE. In some cases we do not find out that they are having trouble at TAFE until the situation is quite dire.

Dr JOHN KAYE: Has that phenomenon become worse in recent times?

Mr CARR: To negate that issue, because we are talking about students when they are picking VET courses, not students that need—

CHAIR: When you say the TAFE people do not pick up on it, is that because they are only doing two or four units so they do not see the total wellbeing of the student before they crash and burn?

Mr CARR: Probably the standard example would be that if a student misses one or two sessions, maybe through illness, there may be a legitimate case. We do not have any power or control over what TAFE does. Say we have a student who does a minimum of 12 units for year 11 and two of these units are accredited to TAFE. If TAFE decides that, against its framework, that students has not met the requirements of that course and can no longer continue with it then I have a young person who is ineligible for a year 11 certificate, which makes completion of the HSC difficult.

When we talk about students doing TVET courses, we are talking about students who want skills. We are talking about students who, hopefully, have a genuine interest in a particular industry that the school cannot provide training in. The complexity is that you are talking about students who, in many cases, may lack the skills to transport themselves off site to attend a course from two o'clock to 6 o'clock and then go home in the evening. That is the difficulty. While some students have the best intentions of doing a course, they face the reality of fronting up.

At The Entrance campus we protect our students by a making sure that they do a minimum of six subjects with us, the full 12 units. We still allow students to go to TVET. We bear the cost of our staffing transfer for that, because it is not our job to put a ceiling on students' aspirations. If TAFE cannot support that student in the way that I know that my school can, we will get that student through their year 11 or year 12 certificate.

CHAIR: I put on the record that my first three children, out of my six children, have all gone through that sort of system. One of my daughters is currently doing a VET course at TAFE as well.

The Hon. GREG DONNELLY: Thank you, gentlemen, for coming along this afternoon. On page 1 of your submission, in the second last paragraph, you say:

Transport and travel costs are a factor for most students doing a VET course outside of their school.

Would you elucidate and give some insights into the challenges that young people face when travelling to courses?

Mr NEWMAN: Yes. Students in year 11 are generally too young to have a driver's licence and a car. Therefore, they are reliant on public transport. Getting to TAFE in our area requires a train and a bus or two buses. As the year goes on and it gets into winter time, students have to get home from courses that run into early evening. It is daunting for them. They have to pay for the transport. We have organised a bus to take them to other transport on Tuesday. They have to pay for that, but that has been our initiative, in cooperation with the local bus company, who have been very supportive. Very few bus companies are that supportive. That creates issues for students. If they do not have the money, they do not get on the bus and they miss the lesson. It adds to the complications. In country areas it may be that they have to go to another town to do the course, which involves considerable travel costs and lengthy travel times. That has an impact on them at school.

The Hon. GREG DONNELLY: If you do not have the information to answer this question, perhaps take it on notice or direct us to where we might find it. How many of the public high schools in New South Wales, as an aggregate number, would be offering TVET courses?

Mr NEWMAN: I would say that almost all of them would offer some TVET courses, if there is a local TAFE within an appropriate distance that students can get to.

The Hon. GREG DONNELLY: If there is a diminution in the number of TAFEs operating in New South Wales over a period of time, does it naturally follow that students' access to TVET courses will be diminished, if not completely lost? Is there another option?

Mr NEWMAN: Logically that is how it would go, but I imagine that my colleagues would be looking at what school VET courses they could offer, if they have the facilities, and asking staff to run it. We go out of our way to try to meet the requirements of our students. If they put their hand up to do a particular course and we can physically run it then we will try to do it.

The Hon. GREG DONNELLY: Is your primary position to provide the training at the school, to the extent that it can be done, as opposed to them going to TAFE?

Mr NEWMAN: No, it would not be the primary position. At Tuggerah Lakes Secondary College that is our preferred position, where we already offer the course at the school. If we do not offer the course then we encourage them to go to TAFE.

The Hon. GREG DONNELLY: Has the variety of courses available in public high schools and the updating of existing courses been refined over time? Are we looking at something that has been untouched for some time or has it been subject to refinement and development?

Mr NEWMAN: It certainly has been. It has been refined because industry has a great deal to say about the courses that we offer. We have an example at the moment in the metals area. We will probably have to change our course dramatically next year because there are issues with industry not wanting to take on students who have finished certificate II. Therefore, we will change the course to fit in with that. That is where our registered training authority provides guidelines and the right to run the frameworks. They are constantly being updated as industry has input to them. Brett might like to add to that.

Mr CARR: I will draw on my example of the 10 registered training organisations shrinking to four. There is always a lot of work in existing frameworks that operate within registered training organisations to keep up with quality assurance, in line with industry. To be able to expand at a school level, to introduce new subjects that are not in the scope of the registered training organisation, would require support and staff. If we are shrinking, that is counterintuitive to being able to offer new subjects to schools.

The Hon. GREG DONNELLY: Because of the separation of TAFE from the education portfolio, do you harbour concern that there is the potential for loss of appreciation for or sensitivity to the value that TVET is providing to students in public schools?

Mr CARR: I personally do not think so. I think the issue is bigger than schools and TAFE. I think you have to look at what the community needs and what the employment opportunities are. I think it is necessary to look at procurement models, to match job shortages and skill shortages. Despite the fact that there may be separation that has not existed in the past, it is necessary to plan. We are working for children; we are not working for the Department of Education or TAFE.

The Hon. GREG DONNELLY: That is a fair comment.

The Hon. DANIEL MOOKHEY: Was the incorporation of VET in secondary schooling in part to reflect a policy designed to diversify what is offered at secondary schools?

Mr NEWMAN: Yes. This move started in about 1992. The push at the moment is coming very strongly from industry. We are responding to what industry wants because we have to meet their guidelines and qualifications.

The Hon. DANIEL MOOKHEY: Was the desire to diversify what is offered in secondary schools also led by the desire to boost secondary school retention and completion?

Mr NEWMAN: Yes, and satisfaction for students in their choice of subjects.

The Hon. DANIEL MOOKHEY: Are you therefore worried that if there is any contraction of TVET or school VET it will have an ancillary effect on school retention?

Mr NEWMAN: It could. It will depend upon the area and the ability of the school to offer something in place of TVET.

The Hon. DANIEL MOOKHEY: Demographically speaking, what groups of students do you think are most at risk of falling on that fault line?

Mr NEWMAN: Our students range from the most academically capable to those who do not want an academic outcome and are doing either TVET or school VET. For example, some of our best academic students want to do the hospitality, food and beverage course. They know they will be able to get a job while they are working their way through university because they will have some qualifications. They are thinking ahead. We have other students who decide from the beginning that they want to go into the building trade; therefore, they take on construction. Brett deals with that on a day-to-day basis, so he might like to comment.

The Hon. DANIEL MOOKHEY: But your view is that the academically minded would use this as an opportunity to get skills to support their study. They are not at risk of falling out of high school.

Mr NEWMAN: No.

The Hon. DANIEL MOOKHEY: Is there more of a concern about the people who intend to enter skills-based employment post school?

Mr CARR: I am sitting at my deputy principal's desk now, giving you a snapshot of my day. I find it increasingly difficult to convince young people of the value of their HSC, without having additional credentials that may fast-track them into employment. That is particularly the case when their parents, sitting beside them, did not complete the HSC and are successful in whatever they are doing.

The Hon. DANIEL MOOKHEY: Am I right in surmising that the existence of VET and TVET is an argument that you mount to kids to stay in school and complete the HSC?

Mr CARR: Absolutely, To the point that we are flexible in our curriculum delivery. We do compressed VET courses so that students who do not necessarily want to complete their HSC but want a certificate II can obtain one. If we have enough interest and there is enough local commitment, through work placement support and potential jobs, we will run compressed courses so that students can finish at the end of

year 11 with a certificate II. As Andrew pointed out, by the time students have gained their certificate II, in October, they are also likely to have their P plates and are highly employable because they can travel to and from work and they have a certification.

The Hon. DANIEL MOOKHEY: You might need to take this question on notice, particularly to provide data. Presumably you have modelling to show the students that are at risk of non-completion of the HSC. Are they the ones who are more likely to be sensitive to the cost of post-school education? Are they most likely to compare the costs of post-school education and work? Are those factors in play as well?

Mr CARR: I would not like to address the question fully. Approximately one-third of our students are the first in the family to graduate with the HSC. Probably 80 per cent of our students will do at least one VET course. That includes, as Andrew pointed out, people who are doing ATAR patterns of study. They use the VET course as an ace up their sleeve to secure part-time employment. The numbers undertaking VET in our school and across the State have held strongly, particularly since the school leaving age of 17 was introduced in 2010. Board of Studies enrolments are showing healthy numbers: more than 24,000 students engaging in VET courses. Then there are students engaging in multiple VET courses.

The Hon. DANIEL MOOKHEY: Are you worried that the strategy of using VET to boost retention will become less effective in 2017? Do you have an opportunity to forecast what you think might happen?

Mr CARR: Kids cannot get work without skills.

The Hon. DANIEL MOOKHEY: Would you like to elaborate on that?

Mr CARR: VET is that pathway, because of the difference between it and other courses that we offer from the Board of Studies suite of subjects. VET is competency based. The satisfaction survey data shows that students see significant value in their VET courses and how they relate to future employment opportunities. Students who do not undertake a VET course do not have the same strength of conviction that what they have studied will relate to what they are going to do when they leave school. Hopefully that answers your question.

The Hon. DANIEL MOOKHEY: Very thoroughly.

CHAIR: Mr Newman and Mr Carr, I am encouraged by the evidence you have given. It has been fantastic. You have described the journey I am on as a parent. Your commitment to seeing kids succeed is fantastic. You are right to say that the focus should be on the success of our children, whatever path they choose to take. My children regularly remind me that I dropped out of school at year 11 and that they are the first in our family to do the HSC. I tell them that I would be happy to see them in my position when they are 49. I always get the upper hand.

Thank you for your evidence. You have the 21 days in which to respond to any questions you have taken on notice. The Committee secretariat will be glad to help you with that. We might put further questions on notice. But the evidence is real, and once again I thank you for that. I wish you the best for the future and what you are doing in your college.

(The witnesses withdrew)

DAVID BARE, Executive Director—NSW, Housing Industry Association, and

MELANIE SKYE FOSTER, Executive Director—Industry Capability, Policy and Lobbying, Housing Industry Association, sworn and examined:

CHAIR: Does either of you have an opening statement that you would like to present?

Mr BARE: Yes, I do, thank you. The Housing Industry Association [HIA] welcomes the opportunity to provide further evidence and feedback in regards to our submission to the inquiry into vocational education and training in New South Wales. I have copies of my opening statement.

CHAIR: Would you like to table that?

Mr BARE: Yes, please.

Document tabled.

Mr BARE: The vocational education and training [VET] system underpins the skills capacity of the New South Wales construction industry, providing the necessary competencies and qualifications to become licensed to build and renovate tens of thousands of homes for New South Wales residents each year. As the peak residential construction industry association in Australia, HIA has a strong and invested interest in ensuring that quality training is affordable and accessible to all persons wanting to pursue a career in residential construction in New South Wales. In fact, it is more critical and urgent than ever that we are promoting construction trade schools as a legitimate career option, if we are to attract and create the skilled workforce for the future. This requires flexibility in training delivery options and easier access for students.

There is a growing skills shortage in the construction industry in New South Wales. This is driven on the demand side by a combination of building new homes at supply rates to meet true underlying demand in the State—for the first time in a long while—and improving the renovations market and the delivery of major infrastructure projects. On the supply side we are faced with an ageing skilled workforce, high rates of attrition among new apprentices, and the increasing unwillingness of employers to take on apprentices due to the cost-prohibitive and complex regulatory frameworks. It is HIA's view that the New South Wales Government needs to focus on several key areas to improve the overall performance of the VET sector and to ensure that those undertaking training have the best chance of gaining employment.

To achieve this, HIA proposes that the VET sector is best served by operating under a competitive market environment, specifically one that provides user choice, ensures industry relevance, provides flexible learning options and shifts the focus of funding models to the students and employers. The continual rhetoric and polarisation of the debate in New South Wales of TAFE versus private registration organisations [RTOs] needs to be challenged, in our view. TAFE and privately funded RTOs, in particular industry-focused RTOs like HIA, already work collaboratively and collectively to deliver outcomes that are practical for students and the industry, and that means working collaboratively with TAFE. Flexibility and delivery are key here, and both TAFE and private RTOs have an important role to play. In an industry that is underpinned by an apprenticeship system, there is an increasing need for the Government to provide better incentives to employers to take on apprentices.

Currently there are far too many prohibiting factors that result of employers not being financially capable of taking on an apprentice. Many small businesses have a desire to take on apprentices. However, the costs associated with employment, the time-prohibitive training and regulatory obligations, and the clear productivity lost mean that small businesses simply do not have the economies of scale or turnover to justify the commitment. Group training organisations [GTOs], or group apprenticeship schemes—like HIA apprentices, for example—have much higher apprentice completion rates. That is a big issue in our industry and indeed across the board. In fact, our completion rate is around 85 per cent compared to 47 per cent nationally. This is due to rigorous screening and quality pastoral care for young apprentices as well as helping to manage the relationship and expectations between the apprentice and the host employer. Using a GTO also provides greater flexibility for the apprentice and employer host.

Greater government support for quality industry-based GTOs should be considered to improve apprentice completion rates in construction. The current training funding model, Smart and Skilled, does not

provide a level playing field to both public and privately funded RTOs in the construction sector. The model imposes unnecessary and duplicate approval processes, perpetuates issues of quality, value and flexibility of delivery, and does not encourage a collaborative and collective approach to providing successful VET outcomes. The current Smart and Skilled program has limited use of choice and has set a price ceiling in the training market that cannot imagine commercially by RTOs that are not in receipt of funding. Another area for us is to develop and fund effective pathways to reskill mature-age workers from declining industries, such as mining, into industries with high demand or skills shortages, such as construction in New South Wales.

We also advocate for improved training and education regarding training planned development, assessment and competency levels for employers, RTOs and apprentices, which goes to determining when an apprentice has reached an appropriate competency level, and revisiting the effectiveness of competency-based wage progression, in particular the impact this has on school-based apprenticeships.

CHAIR: As there is no further comment, we will pass to the Opposition for questions.

The Hon. DANIEL MOOKHEY: Thank you for gracing us with your presence and taking the time to give evidence. The Housing Industry Association it is itself a registered training organisation.

Ms FOSTER: Yes.

Mr BARE: Yes, it is.

The Hon. DANIEL MOOKHEY: You provide a group training organisation structure.

Mr BARE: Yes, we do.

The Hon. DANIEL MOOKHEY: Just for the basic information of the Committee, a group training organisation is one in which you essentially syndicate an apprenticeship over a bunch of employers as opposed to just one. Is that basically the key design variation?

Ms FOSTER: It can go either way, depending on the apprentice and the employer. Some apprentices have one host employer for their entire apprenticeship. Other apprentices may have two to five.

The Hon. DANIEL MOOKHEY: Your evidence is that that model in your industry results in much higher rates of completion than the alternative?

Mr BARE: Absolutely.

The Hon. DANIEL MOOKHEY: Are you aware of any GTO getting funding under Smart and Skilled? Did you get funding under Smart and Skills, I should ask?

Mr BARE: No, we did not.

The Hon. DANIEL MOOKHEY: Are you aware of any GTO that got funding under Smart and Skills?

Mr BARE: Not an industry-based one, no.

The Hon. DANIEL MOOKHEY: Any one at all for your industry?

Mr BARE: A private RTO?

The Hon. DANIEL MOOKHEY: Yes.

Mr BARE: Yes.

Dr JOHN KAYE: But not a GTO.

Mr BARE: Not a GTO.

The Hon. DANIEL MOOKHEY: But not a GTO.

Dr JOHN KAYE: Did you apply?

Mr BARE: Yes.

The Hon. DANIEL MOOKHEY: This surfaces the thematic that we have been going through today, which is about the criteria for entry. In your opinion, is it, for example: firstly, very clear and very transparent about who gets funding and why; secondly, not at all clear and opaque; or, thirdly, somewhere in the middle?

Mr BARE: Okay. It was quite opaque.

The Hon. DANIEL MOOKHEY: Did you apply for funding?

Mr BARE: Oh, no, we applied. I think the issue from our perspective was that it was not clear how the assessments were really made. There were lots of suggestions being bandied around as to why it did not work—algorithms in computers and all sorts of things, which I am sure you have all heard—but the results that came out was that most of the key industry groups did not get funding that had been delivering training and apprenticeships, or have had an apprenticeship scheme or a GTO, for 40-odd years in New South Wales. You did not see the Master Plumbers, you did not see the Master Builders, and you did not see a whole lot of people get any significant funding at all. That was very odd. I guess what we are saying is that in the construction sector—and I cannot speak for others—there were only two private RTOs that got funding and we had not heard of either of them.

The Hon. DANIEL MOOKHEY: Presumably post your rejection, did you have the opportunity to sit down with State training services and receive information from them as to what precisely were the reasons why HIA was excluded?

Mr BARE: We did get a report, yes.

The Hon. DANIEL MOOKHEY: Was it adequate?

Mr BARE: At the time, no.

The Hon. DANIEL MOOKHEY: Since?

Mr BARE: It certainly suggested where the process had determined where we did not comply with the requirements, but it was very much a check box scenario.

The Hon. DANIEL MOOKHEY: The HIA is the biggest industry organisation in the construction industry, or one of the biggest?

Mr BARE: We are the biggest in the residential construction industry in Australia.

The Hon. DANIEL MOOKHEY: And you have a very big membership.

Mr BARE: We do. We have over 40,000 members.

The Hon. DANIEL MOOKHEY: Is it right to infer that if you get an organisation of your size and scale not being able to get information from State training and services, it would be much harder for a person or an organisation much smaller than you to get the same levels of information?

Mr BARE: One assumes that would be the case.

The Hon. DANIEL MOOKHEY: In your opening statement you talked about the absence of a level playing field for public and privately funded RTOs. You said that this perpetuates issues of quality, value, and flexibility of delivery. What you mean by "perpetuates issues of quality"? Is it the case that the people who got the contracts are not necessarily the best-practice providers in the sector, in your opinion?

Mr BARE: That was part of it, but it was not just that. We felt that the assessment criteria—I think the bigger issue that we saw, if I may, is that the process seemed to be that if you did not pass or get a high-enough score in step one or two, your application got thrown out. There was no holistic view or there were no alarm bells going off that maybe—and I am not suggesting for a minute that we should have got any special treatment—a long-term industry group in receipt of funding for many, many years and support suddenly did not pass muster.

The Hon. DANIEL MOOKHEY: The evidence is that the criteria that have been adopted did not weight properly: firstly, history; secondly, reputation; thirdly, completion rates; fourthly, flexibility and models of delivery; fifthly, it was always a one size fits all, or at least it did not allow for the quality factors to be expressed in addition to the quantity factors.

Mr BARE: It was basically whether you did something or not, and you tick a box. I got an impression that as long as you ticked the box, your application would probably go through. I do not know what follow-up assessment was done because we were not in that position.

The Hon. DANIEL MOOKHEY: My final question before handing over to my colleague is this: Is it the HIA's intention to apply next year or for the next round, or is it the case that absent any adjustments to the model you are unlikely to apply?

Mr BARE: We put a case forward as to why we believe we ought to at least be considered for funding, yes. Whether or not we have that ability, we do not know yet.

The Hon. GREG DONNELLY: Thank you both for coming in and thank you for a very good and very detailed submission. On page 2 of your submission at paragraph 1.1.12, you state:

In line with this position it is HIA's view that the current funding model being applied as a result of the review carried out by IPART in October 2013¹ has skewed the training market and limited student choice.

With respect to the IPART work, methodology and ultimately the calculation that was done for the costings, is that something that you had any involvement in or were invited to participate in as a process? Was HIA invited?

Mr BARE: In terms of the New South Wales?

The Hon. GREG DONNELLY: Yes, the IPART exercise.

Mr BARE: No, not really, no. We certainly were invited to briefing sessions by either State training services or the education department.

The Hon. GREG DONNELLY: And they explained that something was underway in terms of an exercise?

Mr BARE: They said this was going to be their quality system that was going to apply and that it would be called Smart and Skilled. There were a couple of briefings of that nature. In fairness, we did provide feedback in a couple of areas. Our greatest piece of feedback is that we are already qualified to provide qualifications in certain areas, such as a certificate IV in building and construction and the like. If we are already qualified for that nationally, and in fact we had just completed an audit before this came in to remain a nationally registered training organisation [RTO]. So why should we be assessed again? I guess that is part of our issue with this. If we are currently qualified, why go through another assessment?

The Hon. GREG DONNELLY: Did they have a response to that position you put to them on that question?

Mr BARE: Not really. I think the view was, or at least this was the view that I took away, if we were going to get funding then they had a right to put us through a screening process. We do not have an issue with that, but why screen our ability to deliver when that has already been tested? There may be other factors that are more appropriate in terms of being able to effectively utilise funds and deliver, and that would be more about looking at the history of performance, I would have thought.

The Hon. DANIEL MOOKHEY: Just as an ancillary question to my colleague's question, you say in your submission that the IPART model has "skewed the market and limited choice". Can you explain to us what you mean by that?

The Hon. GREG DONNELLY: Yes, at point 1.1.12 the submission says:

... it is HIA's view that the current funding model being applied as a result of the review carried out by IPART in October 2013 has skewed the training market and limited student choice.

Could you elucidate that?

The Hon. DANIEL MOOKHEY: How has IPART's model skewed the market?

Mr BARE: I do not know that that is what that really means, to be honest. I think it may be more talking about what has occurred through Smart and Skilled.

Ms FOSTER: My understanding is that the IPART model was to open up the market via Smart and Skilled. But the result of that process has been to actually narrow the funding to selected organisations, which effectively does not open up the market but rather channels students to those particular providers.

The Hon. DANIEL MOOKHEY: So the position is that for the people who did not get funding their service offer or whatever unique feature they may have to offer the market essentially cannot be distributed or amplified?

Mr BARE: Probably amplified.

Ms FOSTER: I have just read that again. What it is saying is that the funding model, meaning Smart and Skilled in New South Wales, had not followed the IPART model; and in fact it had skewed it and limited choice. That is really getting at what we were just talking about—the fact that the Housing Industry Association [HIA] can deliver the qualifications in the construction sector but, as we said earlier, there were no major industry groups that got funding. So that has limited choice enormously because we are one of the obvious go-to places for students. If you want to get a builder's licence or you want to get training in the building sector, HIA, particularly in the residential sector, is where you go.

So the fact that we were not able to take part in that has certainly skewed it. It was very heavily skewed toward TAFE as well is what that means, because there were only two private providers that received funding in that area of qualification for residential construction. I do not know if that answers the question but that is what it means where it says it has skewed it. It has limited choice because a very large proportion of builders are members of our association, and we are who they look to for guidance on training and apprenticeships.

The Hon. GREG DONNELLY: With the two private providers that you have said did get some funding, and you do not need to give us the detail of the specific names of the organisations, can you describe them? Are they building companies? What sort of organisations are they?

Mr BARE: As I said, we did not know them. One of them is a private provider that has limited resources. What I meant is that we have training facilities and we have invested significantly over the years in providing those training facilities. We have quite a number of full-time staff and so forth dedicated to this area.

The Hon. DANIEL MOOKHEY: Is it right to infer that if the HIA, the peak body for residential construction, does not know of these private RTOs then they must not have a particularly strong or ubiquitous market reputation? Is that a correct inference from what you have just said.

Mr BARE: I guess for us it was surprising that they would pass all of those tests where we did not. So our issue is very much with the process.

The Hon. DANIEL MOOKHEY: Are they longstanding RTOs or have they been formed recently in the last two, five or 10 years?

Mr BARE: I cannot remember for one of them. I would have to double-check that. Certainly they are not longstanding, no.

The Hon. DANIEL MOOKHEY: So generally speaking they are new market entrants?

Mr BARE: They have been around for the last few years, I would say.

CHAIR: It seems that the computer and the algorithm could not—

The Hon. GREG DONNELLY: It could not spell HIA.

CHAIR: I do not think the value of HIA was put in there. One of our other submissions was from an RTO that had received 13 awards and they were totally overlooked as well. So it seems that there is something wrong with the algorithm. It has not recognised some of the long-term players that have been around for a long time and that have the accreditation. You are probably right on that point about whether that should be re-entered every time the process is in play.

In your opening statement at point four you say the "current training funding model, Smart and Skilled, does not provide a level playing field to both public and privately funded RTO's in the construction sector". You say that "the model imposes unnecessary and duplicate approval processes, perpetuates issues of quality, value and flexibility of delivery, and does not encourage a collaborative and collective approach to providing successful VET outcomes". Could you comment further on what you mean by all that, particularly the dual processes?

Ms FOSTER: In terms of duplicate processes, and I think we established this in our previous answer, we are looking at the national process we go through to be approved as a national RTO and the duplication of that through the State process. In terms of quality, value and flexibility, again it comes back to the aim of the funding model, which was to open up the market. Effectively it has narrowed the market, which can perpetuate, in particular, quality issues. The organisation may not have, firstly, been in the industry for very long and, secondly, potentially may not have the scope of delivery, whether it be regional or metropolitan; the facilities; or the flexibility of delivery, whether it be online or other forms of delivery.

CHAIR: Mr Bare, did you want to add something?

Mr BARE: Yes, I do. One of the big issues with this from our perspective is that it actually sets a price ceiling in the marketplace as well. So we agreed at the beginning of this year when we budgeted that we would try to hold on to our staff. We were prepared to run at a loss in the hope that the review of Smart and Skilled, which was something the Government had always said it would do after a certain period, would uncover a lot of the issues that we have experienced. I am still hopeful that that will be the case and that that will be the outcome.

CHAIR: Have you spoken with the Nous Group, which is doing the review?

The Hon. GREG DONNELLY: Are you aware that a review is currently underway?

Mr BARE: I was told that the review is underway.

CHAIR: So you have not been invited to contribute?

Mr BARE: Not at this stage.

CHAIR: On page 3 of your submission you talk about skill shortages. At point 2.1.1 it says:

Over the last decade there has been a persistent imbalance between growth in demand for housing and the slow rate at which the nation has added to the housing stock.

We know there are about 57,000 people waiting for social, public and affordable housing, are you suggesting that this has a lot to do with the outcomes of training, apprenticeships and skills? You have it listed under the topic of skill shortages.

Dr JOHN KAYE: I think it is more about context, isn't it?

Mr BARE: Yes, it is. It is more about saying that we are currently dealing with this skill shortage and it is growing. We are building New South Wales and will continue to need to build at the rates we are seeing now just to meet underlying demand.

CHAIR: The submission goes on at point 2.1.5 to say:

The two most significant challenges to growing the labour force are the large cohort of workers approaching retirement, and the high rate of attrition amongst new apprentices.

So this is a real concern?

Mr BARE: Absolutely. As I said earlier, the completion rate nationally is 47 per cent. We know already from our membership that the ageing workforce is a significant issue. The average age now in some trades is anywhere from mid-thirties to mid-forties, and I have to say that the data on this is pretty loose but it is clear anecdotally. We have not been able to attract people into apprenticeships in the same way. We are working pretty hard on this at the moment to push for a much stronger awareness campaign to drive it.

CHAIR: The submission goes on at that same point to say:

In tandem with supporting traditional apprenticeships, government policies must enable more flexible and affordable pathways into the housing industry to facilitate opportunities for career progression and business growth.

Those are some pretty strong words.

Ms FOSTER: In some instances it is a very real issue.

CHAIR: Yes, it is a real issue—housing growth and needs.

Mr BARE: It is a huge issue.

Ms FOSTER: Some trades are obviously in more dire straits than others.

CHAIR: Which ones?

Mr BARE: Bricklayers, for example, and a lot of what they call the "wet trades". So that is floor and wall tilers.

Dr JOHN KAYE: What about concreters?

Mr BARE: It depends. If you ask a builder, getting consistent concreters can often be an issue!

CHAIR: It is just a good indication for us to get a quick touch point on the trades that are in great need. Before I hand over to Dr Kaye, at point 3.3.5 in your submission it says:

The price is comprised of the Fee and the Subsidy and is ultimately determined in accordance with the Smart and Skilled: 2015 Prices, Fees and Subsidies (Price Policy). By way of example the Price Policy sets the qualification price for a Certificate IV in Building and Construction at \$9,600, the Student Fee (for the first qualification) is set at \$2,420, the amount of the Government subsidy is the difference between the 2 amounts i.e. \$7,180.

That is quite a big subsidy.

Mr BARE: Yes, it is. We put that in there I guess in the context of our previous point—that is, we are carrying that at the moment because that has set the price in the market. It is what is expected of us if a student wants to come and do their qualification with us.

CHAIR: So because you did not win a contract as an RTO, basically you are subsidising that amount until the next round.

Mr BARE: For as long as we can reasonably do it. I suppose we are lucky in the sense that we can carry on in the hope that Smart and Skilled will be reviewed. Historically training in this sector has always, in one way or another, been subsidised.

CHAIR: How many positions would you lose if you miss out on it next round? How many people would have to go?

Mr BARE: This is a public Committee and I am thinking about the point of view of my staff.

Dr JOHN KAYE: I would advise you not to answer that question. What we might do is put that question on notice. We understand your concerns.

CHAIR: Yes, we do not want to scare people.

Mr BARE: Also we would try to find other ways.

Dr JOHN KAYE: Thank you for your submission. I would like to take you to point 1.1.10 on page 1 of your submission. What you are effectively arguing for is sector-blind funding. The submission says:

A successful funding framework must be based on an open and competitive market place that treats all training providers in the market in the same way regardless of whether they are publically or privately owned.

So you are actually saying that we should treat TAFE in exactly the same way that we treat a private provider in the marketplace, is that correct?

Ms FOSTER: It is correct in the context that that is from the executive summary and it is followed up further in the section regarding the contestable market. There are a number of factors we have included there that go with what would be considered an open market.

Dr JOHN KAYE: I accept your qualification, but you are saying in theory that you believe in unfettered competition for public money.

Mr BARE: No. If you look also at our opening statement, what we have said pretty clearly is that there is a collaborative approach, and I do not think it is quite understood how much we work with TAFE.

Dr JOHN KAYE: I fully accept that and we have had examples of that, but we are talking in terms of when the rubber hits the road you want it to be sector blind, you want to be competing on the same level as TAFE.

Mr BARE: Yes.

Dr JOHN KAYE: I take you to paragraph 3.2.5 on page 4—I suspect there might be a typo in this—which states:

... if a nationally accredited RTO has a course on their scope that the state government has allocated funding for, there should be no reason a student—

I see, if the State Government has allowed funding for that particular scope, then there should be no reason a student cannot go to this RTO and have access to this funding, regardless of whether the RTO is approved or not approved by the State Government. I take two things from that—and correct me if I am wrong. Firstly, you do not think that once you are in through the ASQA RTO process you are in. The State Government should not take any other account of your capacities or otherwise.

Ms FOSTER: Unless there is a capacity that is not already judged by the Federal processes, for example, the ability to deliver regionally or the ability to provide effective facilities or something of the like for a particular program.

Dr JOHN KAYE: But it is fair to say that the Federal process, the national process, is pretty slack. We have had some spectacular examples of appallingly low-quality training organisations being registered by ASQA and then being exposed in the media.

Ms FOSTER: That has been historically correct but there have been some substantial changes in the past 12 to 18 months in that area that are yet to be properly put in place and yet to be seen as to the result of how that actually has fixed some of the quality.

Dr JOHN KAYE: But ASQA itself has said that it cannot cope. You are asking us to trust a system where the actual regulatory body said it cannot cope with the 4,000 organisations they have. I think Mr Donnelly has been pushing the point very effectively over the past couple of days that ASQA cannot cope. Yet you are saying just let it rip, do not worry about it.

Mr BARE: I guess we can only work on our own experience and I had my first experience of going through a full ASQA audit for our national RTO licence last year and it certainly seemed significant. It was very rigorous. If that was an example of the processes being applied, it was quite a significant thing.

Dr JOHN KAYE: Well—

Mr BARE: I am not disagreeing with you. I can only say that what we are trying to say and the point we are trying to get across is that if you are—I do not think it adds a lot of value to put an organisation through another assessment and another assessment. Either work out how to make it work Federally—

Dr JOHN KAYE: I take that point. The second issue I take from paragraph 3.2.5 is that if the State Government is allocating funds for, for example, a certificate 3 in beauty therapy and there is money available, put some money in there, are you saying it should be open slather? Are you saying that we can have everybody going into beauty therapy, or are you saying there should be limits?

Mr BARE: No.

Dr JOHN KAYE: So you agree there should be caps on the number of qualifications. If you are literally reading 3.2.5 it says there is no cap on the number of qualifications.

Mr BARE: We do not intend that to be the position. What we are saying is that if we are qualified to deliver a certain qualification—we do not have hundreds of them; we have a certain number—

Dr JOHN KAYE: But you are saying that you accept there should be a limit on the number you attract.

Mr BARE: I think it depends on the capacity of the organisation to deliver.

Dr JOHN KAYE: Or the market?

Mr BARE: We are unashamedly and clearly focused on construction, where we know there is a very clear need.

Dr JOHN KAYE: Because the market is bigger than the capacity to provide, but in other markets that might not be the case. If you follow that statement literally, would it not lead to what happened in Victoria where they had a huge number of personnel trainers being produced? If they took your statement literally or they implemented that literally, they produced a massive number of personnel trainers, all of whom were unemployed. The training companies got very wealthy and the Government wasted hundreds of millions of dollars on training people who never got a job.

Ms FOSTER: I appreciate that in that context. Obviously this statement was made in the context of our industry and the industry obviously is quite in need. If someone has a certificate 4 in building on scope and that is available to be funded or it has been allocated some funding, the statement is more about the fact that instead of narrowing the market to a selected number of RTOs, if we have it on scope a student should be able to come to HIA and access that funding.

CHAIR: Carry the funding with the student, rather than being allocated by the Government.

Ms FOSTER: Yes, the funding goes with the student as opposed to the RTO.

CHAIR: Yes.

Mr BARE: And you do want to limit it in some way or there is a need to, then base it on capacity to deliver, rather than I guess reassessing an RTO by some other measure.

The Hon. SCOTT FARLOW: Picking up on Dr John Kaye's question and to clarify your answers, I read that as being that if the Government allocated \$100,000 for a certain skill, for instance, then that \$100,000 should be able to be divided up between private sectors, TAFE, whoever it may be so long as the student elects that. Is that correct?

Ms FOSTER: That is correct. As long as an RTO is eligible to deliver a particular qualification and a student is eligible for a particular amount of funding and that student chooses HIA over someone else, then that funding goes with that student.

CHAIR: It is the NDIS model, basically. The money follows the client; the client chooses the provider.

Mr BARE: Yes, but that is not what we have.

CHAIR: No, but that is what the NDIS does.

The Hon. SCOTT FARLOW: I am interested in how your registered training organisation came about. For years the housing industry would have had graduates coming out of TAFE. What prompted HIA to create its own training organisation? When did that happen, by way of background?

Mr BARE: It happened before I joined HIA, and I would have to take that on notice. I do not know when it started.

The Hon. SCOTT FARLOW: Was part of it in response to your members' needs, your members were saying that something was missing in terms of the skills and qualifications that people were coming out with?

Ms FOSTER: Absolutely. As an employer association to provide services to our members, like we do with many other services we provide, that is something our industry needs. We are underpinned by a licencing system. The licencing system calls up particular qualifications and the only way our members expect that we are able to provide them with the resources, whether that be training, et cetera, to do that as part of the association however.

Mr BARE: An underlying goal of HIA is always to provide . Where we do get into providing services, particularly for members, we try to provide them at a very competitive price for those members. That is why we tend to get into any level of service delivery.

The Hon. SCOTT FARLOW: Picking up on some of the commentary and your experience in other States, if the New South Wales system were to be like Victoria, for instance, how do you think HIA would fare in competing directly with TAFE for that funding? Do you think students will vote with their feet and go to you or do you think they would go with TAFE? What has been your experience in other States where you have had a more open market, so to speak, in terms of funding? Where has that choice been and how competitive has HIA been in comparison to State TAFEs?

Ms FOSTER: In Queensland, for example, we have been very competitive in that. We have also obviously got different types of funding in Queensland from Construction Skills Queensland [CSQ] and the like. We work closely with the TAFEs in all States. Obviously, the TAFEs are able to provide certain facilities that we are unable to provide, and we are able to provide certain industry knowledge and experience that they may not be able to provide. As Mr Bare said previously, there is quite a collaborative relationship. Generally we get students come directly to us first a lot of the time through their employers or potential employers, and depending on their needs we often send them to TAFE if that is what is necessary or we are able to provide the service ourselves.

Mr BARE: By way of example, probably 50 per cent of our apprentices would be doing certificate 3—well, all of them at some point will do a certificate 3. That would normally be done, in nearly all cases for our apprentices, with TAFE. While we will manage the care and placement of those apprentices, once they want to move into licenced building or they want to take on further, then they may choose to do that with us as an RTO, they might choose TAFE or they might potentially choose another provider.

Dr JOHN KAYE: You are saying that your certificate 3 is done at TAFE.

Mr BARE: Yes.

Dr JOHN KAYE: I did not realise that.

The Hon. SCOTT FARLOW: Do you have a formal partnership with TAFE in order to achieve that, or is that something that is more informal—

Mr BARE: Often it depends on where the students are, but we have relationships with TAFE all over to do that. We have a relationship with Bendigo TAFE, for example—you mentioned Victoria as well. In Sydney, whether it is in regional areas, we work with them and they tap into our pastoral care component quite often. If they have issues with some of the students that are maybe working a couple of days a week they will come and ask us if there is an issue. That is why, to be honest, I get pretty frustrated when I hear these arguments that it is TAFE or them, or them or TAFE. I do not think it is well understood that it is a much closer relationship. We do think TAFE probably needs to be more competitive in some areas, but we think it is a joint solution. It is not one or the other.

The Hon. CATHERINE CUSACK: Does Smart and Skilled understand that?

Mr BARE: If you look at the outcome in our sector you would say no.

The Hon. SCOTT FARLOW: We heard evidence the other day, not in your sector but in Newcastle, about industry not wanting a more flexible means of delivery. Would that be correct from your perspective in your industry?

Ms FOSTER: I am sorry; I do not understand when you say "flexibility".

The Hon. SCOTT FARLOW: Evidence the other day was that industry was happy with the way TAFE had been providing it—to paraphrase—and that there was not a demand from industry for more flexible modes of delivery, whether it be with more work placements. Is that something you would agree with—that you were happy with the model as it was—or do you think that in a sense your training has arisen out of the fact that there have been some gaps and you are helping your members to fill it?

Ms FOSTER: From a flexibility point of view, we are an industry that does require a level of flexibility because there is an off-site component and obviously an on-site component. I think that is a well established level of flexibility already and hence this collaborative approach that has been around for quite a long time. I am not sure what industry recommended that.

The Hon. CATHERINE CUSACK: I guess the question is: Is there any appetite to access non-TAFE providers or to have that option?

Mr BARE: If you look at what our industry is facing, the answer has to be yes. You have to look beyond just the young student. You have to look at mature age people wanting to reskill. I would not say that TAFE was the best equipped to deliver that. Starting to look at what industry is requiring—and I can only talk about our industry obviously—it is coming quite quickly that there are some modes of construction that are different to the old mode of construction. I often use the example that a building member who might be a renovator building will want to have an apprentice or want to be able to employ a third-year or fourth-year apprentice who has a fairly well rounded skill base because they can do anything on site.

You go to a large project builder who is delivering volume or a high-rise builder and they would like to see people qualified to undertake certain tasks at a certain point and let them build over time. It is becoming more almost manufactured building, if you like. It is more repeatable and that is the reality. That is the growing part of the market now and I think we have to be flexible to what is going to be required and to give people jobs and access the jobs.

Ms FOSTER: I think, too, it goes beyond the flexibility of the provider and probably comes back a little bit to the flexibility of the qualifications. It is a whole separate issue in itself.

The Hon. CATHERINE CUSACK: But it is about the student then, is it not? It is student-centred?

Mr BARE: Yes.

Ms FOSTER: Correct, yes, student and employer-centred as well. We are seeing a shift in different types of demographic building and those shifts are creating, as Mr Bare said, different types of construction, different methods of construction and the traditional apprenticeships do not always cover that. We are seeing a lot of manufacturers, a lot of larger organisations wanting to do their own form of training for their own way of building and their own way of business. Even some of the private providers are not flexible enough to deliver that and they are delivering it themselves. There is potentially a new way for training in the future and I think everyone has to be flexible.

The Hon. LOU AMATO: I want to run a couple of things by you. I know about your industry because I deal with people in various industries but I know in my industry fewer young people want to enter the trades. You also mentioned high rates of attrition. Can you tell me the problems you are facing? What do you actually mean by high rates of attrition?

Mr BARE: The meaning of high rates of attrition there, looking at it across-the-board, that is looking at whether they be State or national figures, there is a very high rate of attrition of apprentices that enter for a couple of reasons. It goes back to the discussion we had earlier around GTOs. For us, personally, our rate of attrition is not that high because of the care we give to our apprentices and we can place them with different hosts.

The Hon. LOU AMATO: You give them assistance like the Motor Trades Association of Australia [MTAA], which takes on young people who want to go into the industry?

Mr BARE: Absolutely.

The Hon. LOU AMATO: You try to skill them and put them through TAFE usually. Do you have in-house training as well?

Mr BARE: Definitely, yes, we do.

The Hon. LOU AMATO: And then you forward them on to different companies that want these apprentices?

Mr BARE: Yes, we do. One of the issues with attrition is that if someone is placed through, say, a direct indenture model, if that relationship does not work out, if the work is not quite what the apprentice was expecting or whatever it might be—they are young people usually—and trying to negotiate an outcome with an employer is rather difficult for them. There is no-one really working with them to help them, which is what a GTO does. You will work with them and either place them with another employer who is better suited, keep them on the path, give them some encouragement as to what they ought to be doing, checking that they are keeping up with their studies, getting their assignments in or whatever it might be.

CHAIR: It is a good segue; keeping on path. Further questions will have to be put on notice. Mr Bare and Ms Foster, I thank you for giving evidence today. Your industry is of great interest across the nation in view of housing needs. You have 21 days to answer the questions put on notice and Committee members may have further questions. The Committee secretariat will help you with that. Thank you for your evidence, which will be very helpful with our report.

(The witnesses withdrew)

PAUL ORTON, Director, Policy and Advocacy, NSW Business Chamber, sworn and examined,

NICK MINTO, Education and Training Policy Adviser, NSW Business Chamber, affirmed and examined:

CHAIR: Would either of you like to make an opening statement?

Mr ORTON: I might just make a very quick one. The NSW Business Chamber has about 19,000 members across New South Wales from border to border, north and south, and out to Broken Hill. There is no doubt about it that the issues identified in the terms of reference for this inquiry are really very important ones for our members across the State. They cover some of the concerns that the chamber has been raising since our 2010 report called "Could do Better" and which were developed further in this year's report called "Paving the Pathway", which we would like to table if the Chair was agreeable.

Documents tabled.

For the purposes of the terms of reference of the Committee these concerns could be summed up under four headings. The first one is: for businesses to succeed in an ultracompetitive environment speed and flexibility are absolutely important. This applies to those organisations that provide services to them, both directly and indirectly. Naturally this applies to the training system, which needs to be responsive to the needs of both employers and employees. For this reason we have supported the move to contestability in the provision of training services. That means making real the prospect of competition in the provision of services but it does not mean, and we do not mean, the gutting of TAFE. The prospect of competition helps providers become more attuned to their customers' needs.

The second point that has become clear to us through the research work we have been doing is that for students to make informed decisions about careers and hence training, they need to be better informed about the world of work, both now and into the future, what they are suited for and what are the job prospects in specific sectors. We would advocate that careers advice needs to be looked at and better use made of groups that already exist and are best placed to provide at least part of this advice. We reckon there is a need to improve the fit between people and careers and between training and the jobs outlook.

The third point is that quality training is essential to meet the needs of competitive businesses. There have been recent measures to improve that, so auditing and improvement in the policing of quality are essential and vigilance obviously needs to be maintained in that area. I guess this all fits into what for us is the bigger picture and that is we need to do a better job for the 60 per cent of kids who leave school but do not go straight to university. These are people who either go to work straightaway or into vocational education and training. What we are talking about, to use the lingo, is the transition to work and study after school. That means looking at things like the structure of the final years of school, the curriculum itself, the leaving credential and the interaction between training and school education. We need to get the balance better set to address the needs of school leavers who are not immediately going into university. Perhaps I might leave it there.

The Hon. LOU AMATO: Thank you very much, gentlemen, for being here today. You have touched on a couple of subjects that I have raised in the last two or three meetings we have had. We attended one of the TAFEs last week and I asked students whether they felt the school had let them down at a certain point with respect to literacy and so forth. About 80 per cent of them put their hands up. You have raised that issue here. Do you find that across-the-board more and more?

Mr ORTON: Certainly we hear from employers that it is an issue. We actually held a youth employment forum in Western Sydney a couple of weeks ago where we brought together people who work with youth at risk of becoming long-term unemployed and the issue was confirmed by the people who were gathered there.

The Hon. LOU AMATO: Do you find it just in the low socio-economic areas or across-the-board?

Mr ORTON: I might ask my colleague to comment more specifically on that?

Mr MINTO: I think it is across-the-board. For example, the Australian Industry Group did some research a couple of years ago that looked at the literacy and numeracy levels of the current workforce and some

of those figures were quite concerning so it is not just low socio-economic groups that might be marginalised from employment.

The Hon. LOU AMATO: You stated:

It is critical that future and existing consumers of vocational education and training are well informed. Students should be provided with accessible information ...

Are school career advisers advising students on the appropriate way to go?

Mr ORTON: There has been some research on this. The University of Melbourne has done research looking at career advice in schools along with the status of vocational education in schools and what they found was that overwhelmingly the advice given in schools was about university pathways. I can provide those reports.

The Hon. LOU AMATO: That is pushing a lot of students to try to achieve a level they might not be able to achieve so perhaps they should be directed in another area that would still be a great career path, one that is still rewarding, and obviously economically rewarding also. The trades sector seems to be the one sector where we seem to be losing skills?

Mr ORTON: Yes.

The Hon. LOU AMATO: And obviously our economy will suffer greatly from that?

Mr ORTON: Yes.

The Hon. LOU AMATO: Everybody likes to go to university but obviously when your car breaks down, everyone goes, "Ah, we can't fix it" so all of a sudden a good mechanic becomes important.

Mr MINTO: That is one of the key themes that we raise in our "Paving the Pathway" report; that the whole secondary school system is still very much tailored towards the academic university pathway and that obviously has an impact on student choice.

The Hon. LOU AMATO: So basically not one size fits all?

Mr MINTO: That is right, absolutely. And when it comes to the economy it is not one size fits all. I think one of the problems across the education sector, if you look at the three main education sectors and the funding arrangements across those sectors, we now have an uncapped demand-driven university funding system which has significantly increased the numbers of students going to university and a lot of those students may have otherwise gone through the vocational system so there is actually an imbalance between funding arrangements for university and for vocational education and that has been the case for a while.

The Hon. SCOTT FARLOW: Do you think that has actually led to more people opting for university rather than TAFE?

Mr MINTO: I have certainly heard anecdotal reports of that. I am not sure if there is any evidence out there at the moment showing that. I guess those funding arrangements are still relatively new in the last few years. It might take a while to show that coming through. Certainly in terms of university enrolments, they have definitely gone up.

The Hon. SCOTT FARLOW: Thanks, first of all, for being here today. I note you did not make a submission to this inquiry but you did in 2011 to the Smart and Skilled discussion paper from the Government. In the submission you made in 2011—and I think it continues to be a theme, just from having a quick look at "Paving the Pathway"—is your support for a demand-driven model when it comes to vocational education and training. I am interested in some of your comments with respect to the Victorian system and the increase in vocational training in Victoria and people graduating. We have heard quite a bit about the amount of personal trainers that Victoria produced but not the jobs. From your perspective, do you think that New South Wales, by having the skills list and trying to align our placements to actual outcomes and needs, has addressed some of those concerns?

Mr MINTO: I think we understand that the New South Wales Government took quite close notice of what was going on in Victoria and that had a significant impact on how the system was shaped in New South Wales. I think our view would be that perhaps it has gone too far in one direction, so we have a very centralised provider allocation process that provides qualifications for each provider, which is essentially what we have had in the past. To say that it is a demand-led system, it is not really at all.

The skills list was a good move to identify those areas where there are skills shortages and there is some demand. That can be a lever for Government to direct students under a more competitive environment as well. Victoria did not have those sorts of mechanisms in place; they opened up the system. If I can just talk about the Victorian reform for a moment, and we have tabled a report that looks at the reforms and looks at the Victorian training guarantee, there were significant problems in Victoria, and that is clear. There was massive funding blow-outs and whatnot.

CHAIR: What were the best bits?

Mr MINTO: I am getting to the best bits. Obviously they opened up the system completely to competition. There were some poor outcomes. However, the first piece of evidence we have seen—which has been pulled together by the University of Melbourne, which looks at the first two years of that implementation—quite clearly shows that the voucher system is associated with large increases in private college enrolments, which we know, however, it has also improved the match between course choice and employer demand; there is higher student achievement, including incumbent public colleges; and they also found widespread benefits with no adverse impact on equity.

For us, that represents some evidence to show how a more competitive system can produce good results. It also shows that private training providers have a key role to play in the training system. TAFE does as well, absolutely, we agree with that, but our position is based on some of this initial evidence. Obviously a lot more research needs to be undertaken to look at the impacts of different funding models, but we feel that this justifies our position for cause for further contestability. For example, from 2014-15, about 19 per cent of all VET funding in New South Wales was contestable. That is not enough for us and we want to see moves towards a more contestable system.

The Hon. GREG DONNELLY: What percentage?

Mr MINTO: I knew you were going to ask that. We do not have a specific figure for that. We would like to see a phased approach where you could make gradual changes and then analyse how it has had an impact on student enrolments, outcome achievement, and so on. We would not say 80 per cent, or whatever figure. You would need to monitor how those changes actually impacted year to year.

The Hon. SCOTT FARLOW: Do you say that because you market ideologues or do you say that because you believe that will better address the skills shortage?

Mr MINTO: Well I have just shown you a report that shows that movement towards contestability shows a closer match between what students are doing and what employers demand, so there is no ideology there. In respect of the private provision of training there is also evidence through the National Centre for Vocational Education Research, which shows that employers generally are more satisfied with the training provided by private providers and there is significant use of private providers by employers.

The Hon. SCOTT FARLOW: That is the feedback you are getting from your members?

Mr MINTO: This is evidence that has been produced by—

The Hon. SCOTT FARLOW: Is that the feedback you are getting from your members?

Mr MINTO: Absolutely, yes. That is right.

The Hon. CATHERINE CUSACK: Thank you for your report entitled "Paving the Pathway". On page 17 you talk about VET in schools and program cohesion. In particular, you suggest that the students doing those subjects in-house at school are not coming out with qualifications. Am I reading that correctly?

Mr MINTO: It is mixed with VET in schools. Some students come out with full qualifications, some do not. In New South Wales, students can do vocational education as part of their Higher School Certificate, and through that there is a compulsory workplace element, which we feel is a real strength in the system. The issue we have with VET in schools is the lack of clear pathways between what is studied at school and the post-school vocational education and training and there are also restrictions around what can actually be delivered effectively in schools. We have looked at, for example, senior secondary schooling models that have a larger cohort of senior secondary students so you can provide more vocational options.

The Hon. CATHERINE CUSACK: Do you think schools should have the option of allowing students to study a TAFE subject at a TAFE institution or with a private trainer? Would that flexibility be useful?

Dr JOHN KAYE: They do have that.

Mr MINTO: They do have that, yes.

Dr JOHN KAYE: It is called TVET.

The Hon. CATHERINE CUSACK: In terms of the work experience for these students, I did not realise there are workplace service providers.

Mr MINTO: That is right. There are community-based workplace service providers that coordinate placements with employers. One of the strengths of that system is that students are required to undertake a work placement. However, you do not have huge numbers of students and schools approaching employers; you have a central point of contact and those coordinators also assist the employers and the students to become prepared for that placement.

The Hon. CATHERINE CUSACK: I want to find out how they are funded and has that been affected by Smart and Skilled?

Mr MINTO: Initially it was funded through the national partnership performance based funding. That dried up. Recently the New South Wales Government announced ongoing funding post the removal of the Commonwealth contribution through the national partnership and it is to the tune of \$27 million.

The Hon. CATHERINE CUSACK: That is \$27 million per annum for the work placements?

Mr MINTO: That is for four years, I think.

CHAIR: Can you clarify for me how the voucher system is different to the other systems?

Mr MINTO: Effectively that is where the funding follows the student, so the student can choose what training provider they go to. In Victoria, obviously a huge number of providers came into the market and provided various inducements and so on. Some of that was a negative thing. Some was positive, but students were able to choose between those providers and TAFE.

Dr JOHN KAYE: In theory, it is the same as Smart and Skilled in New South Wales, only that Smart and Skilled has a layer of regulation around it? It is a national entitlement scheme?

The Hon. CATHERINE CUSACK: The contract goes to the providers.

Mr MINTO: The contracts still go to the providers, yes.

CHAIR: There is a big difference.

Dr JOHN KAYE: No, that is not true. The provider has a maximum amount under a cap, but the money still follows to the student up to the capped amount that each provider has.

The Hon. CATHERINE CUSACK: If the student wanted to study with someone who—

Mr MINTO: The student cannot go to a provider if they do not have a contract.

Dr JOHN KAYE: Sorry, I did not hear what you said. Could you say that again, please?

Mr MINTO: The student cannot go to a provider that does not have a Smart and Skilled subsidy.

Dr JOHN KAYE: That is true. In Victoria they cannot go to a provider that is not a registered training organisation [RTO], so it is still the same thing. It is a limited, smaller market, but the Chair was asking questions.

The Hon. CATHERINE CUSACK: I thought you were making assertions. I did not realise they were questions.

CHAIR: It is the National Disability Insurance Scheme [NDIS] model where the client chooses the provider that best suits their need. You are suggesting that the voucher system is very similar in Victoria? Is the voucher system in Victoria?

Mr MINTO: It was. They have made some changes since. They have created more restrictions.

CHAIR: You can understand that.

Mr MINTO: That is right.

CHAIR: It is like a hospital accreditation. You get them for two years, three years or five years, and that would be a merit based on our previous witnesses who say, "We have credibility. We have skin in the game. We have been doing this for a long time." There should be a long-term accreditation system for RTOs so they can get buy-in quicker than those who are in the game for the first year only, for whatever reason. It is easy to talk about accessibility in metro areas. Every kid can get a train or a bus or a ferry to services. Do you get much feedback about the accessibility of opportunities for children in regional and rural areas?

Mr MINTO: Yes, we get quite a bit of that feedback so we have a significant membership representation in regional areas. The cost of transport is a big issue. A lot of young people do not have their drivers licences.

CHAIR: Should we be reducing the driving age so kids are able to drive to courses?

Mr MINTO: I guess that could be looked at. I do not think we have a position on that.

The Hon. GREG DONNELLY: Take it on notice.

CHAIR: Mr Orton does; I saw his eyes. It was a trick question. One of the comments we are hearing from witnesses is about accessibility. For instance kids have to wait to get their provisional licence before they can drive to TAFE for their course. It was a stirring point. Most kids in regional areas are driving tractors and can probably drive a car better than some P-platers in metro areas. So accessibility is very important in rural and regional areas.

Mr ORTON: Yes.

Dr JOHN KAYE: Thank you for the documentation you have provided. I am going to ask you a question about the Melbourne Institute paper. I may not have read it carefully enough because it was handed to me a minute ago. Am I correct in saying that this paper concludes that the Victorian market produced better outcomes for enrolment at private providers, equity and so on? Is that why you are giving it to us?

Mr MINTO: Those are the high-level conclusions they have come to in the paper.

Dr JOHN KAYE: This paper mentioned the 10,000 Government-funded qualifications that had to be recalled in 2014 and early 2015.

Mr MINTO: That research looks at the period from 2008 to 2011.

Dr JOHN KAYE: It does not look at the consequences of the Victorian market—

Mr MINTO: No.

Dr JOHN KAYE: —which is that 5 per cent of the qualifications issued in 2013 had to be recalled because they were simply dodgy.

Mr MINTO: As we said, there were certainly problems with the system that they opened up the system straight straightaway. A whole load of new providers came into the system that were probably providing qualifications that were not to the quality that we would expect, and that is not something we want.

Dr JOHN KAYE: This was not a teething problem, Mr Minto. These were qualifications that were granted in 2014 and 2015 when the market was six and seven years old.

Mr MINTO: The Victorian Government has its own regulatory arrangements. It is not part of the national regulation. I guess they are still working through some of those issues with providers in the market, given that there was such a massive growth in the market when they introduced the Victorian training guarantee. I guess they are backtracking a little bit.

Dr JOHN KAYE: You want this Committee to say that is good, Victoria has achieved these great outcomes but not look at the disastrous consequences for 10,000 Victorians who will not get their fees back—the Government gets their money—and they are left stranded, having spent a year of their lives not getting training. They present themselves to employers, and those employers say, "I do not know what you are doing here." These are not small private providers. One of these private providers was the largest private provider in Victoria.

Mr MINTO: The reason we tabled that report was to show that there are elements of contestable training markets that can produce quality outcomes. The other issues are not so much about contestable marketplaces per se, it is more about the fact that there were not the checks and balances in place that were required to ensure quality, approved providers, and so on.

Dr JOHN KAYE: Mr Minto, the total tally of TAFE qualifications in Victoria that were recalled over that period is zero. It was purely a product of the private market. Those 10,000 students were devastated, and many of them will be driven out of skilled employment forever. It was a product of contestability in Victoria.

Mr MINTO: That is not representative of the majority of private providers. There were certainly a number of providers that came into the market that did the wrong thing. There is no question about that. But to say that all private providers—

Dr JOHN KAYE: I did not say that, Mr Minto. You are putting words in my mouth. Nor did I say the majority; I said 5 per cent. Mr Orton, can I take you to a submission that has your signature on it. I apologise for stalking you electronically, but you did not provide us with a submission so I had to find out about you. Your August 2013 letter to Mr Peter Boxall, then Chair of the Independent Pricing and Regulatory Tribunal [IPART], finished with the following sentence:

The Chamber would also support the introduction of income contingent loan arrangements for apprentices to cover course costs during the duration of their training. IPART should encourage the NSW Government to work with the Commonwealth to explore options for the introduction of such a scheme.

Do you still hold the position that apprentices should rack up debt through their training?

Mr MINTO: The Federal Government has introduced loan arrangements, which you might be aware of, so they have actually taken that step.

Dr JOHN KAYE: To be clear, unless there is something I have missed, that was about the tools and not about the training costs.

Mr MINTO: It is a loan of up to \$20,000 that they can use for whatever purpose. They can use it for tools, for transport and a range of different things.

Dr JOHN KAYE: It was a replacement for Tools for Your Trade, which was the name of the original payments. That was a straight grant. The previous Prime Minister and previous training Minister in the current Federal Government turned that into an income contingent loan.

Mr MINTO: We feel it is more than reasonable to introduce loan arrangements for apprentices. If you look at the wage premiums for apprentices that have qualified and moved into those trades they earn good money and usually get into a position where they can pay back that loan. The point being as well that it is an income contingent loan. If they do not earn a certain amount they do not have to pay anything back until—I am not sure of the exact number—they earn 50-something thousand dollars.

Dr JOHN KAYE: Are you aware of the body of research that says income contingent loans act as barriers to people who come from families where there is not a history of education?

Mr MINTO: No, I have not seen that research.

Dr JOHN KAYE: Maybe I can provide that to you offline.

Mr MINTO: Absolutely.

Dr JOHN KAYE: The documents that show up on the net when we Google you have you in principle supporting contestability. The document you have given us today, which I have just read quickly, suggests that you still support contestability in principle but you do not pass any comments specifically on Smart and Skilled. Do I take it that you see Smart and Skilled as not really living up to your full model of contestability?

Mr MINTO: I am happy to comment on Smart and Skilled. That statement is correct: We do not feel it lives up to what we would want to see in terms of contestability. As I mentioned before, it is a very centralised contracting system where allocations are made to providers. There were some significant problems with the provider allocation process, which I think you have already heard about. We understand that the Smart and Skilled program was established to achieve budget neutral objectives and so on, and also to avoid any of the negative outcomes that we saw in Victoria and South Australia. We understand that.

Dr JOHN KAYE: On the second last page of the document you have given us you say that the Government ought to maintain a strong focus on quality across the education training system through the professional development of teachers, trainers and academics, strong institutions and an effective and sufficiently resourced national regulator. First of all I will ask you about the professional development of teachers, trainers and academics and secondly I will ask about strong institutions. How do you maintain that in a contestable market? Do you force private providers, registered training organisations [RTOs], to offer professional development to their teachers and trainers? As to strong institutions, is it not your very criticism of Smart and Skilled that it has focused on the strong institutions?

Mr MINTO: I think it is questionable whether it has focused on the strong institutions.

Dr JOHN KAYE: Or attempted to.

Mr MINTO: Attempted to, yes. There are a couple of things there. With regards to the professional development, how we feel it could work is that movements towards a more contestable competitive marketplace will provide incentives for providers to attract students and therefore invest in that professional development and have the appropriate teachers in place. The other part of your question was?

Dr JOHN KAYE: I will put it to you on notice because my time for questions has expired.

The Hon. DANIEL MOOKHEY: In respect to the variations to the Smart and Skilled program that would deliver the model that you would prefer, is it right to surmise that essentially the two changes that would make the biggest shift would be the elimination of the skill requirement so it is purely demand driven and the relaxation of the barriers of entry so any RTO was able to get any aspect of funding and would not need to get a contract in order to obtain public funding?

Mr MINTO: No, we would not support that. We support the approved provider list which New South Wales has at the moment for training providers. We do now have a national regulator for vocational education and training and the additional layer of quality assurance at a State level can create significant red tape for providers. Perhaps what we would like to see is an eventual phasing out of the assurances at a State level and to have more faith in a well-funded national regulator.

The Hon. DANIEL MOOKHEY: Do you mean the assurances framework that is in the contracts? Evidence we received this morning was that that was the only assurance framework that existed at a New South Wales level.

Mr MINTO: That is right. We have the quality framework under Smart and Skilled that does have provisions within the training provider contracts, yes.

The Hon. DANIEL MOOKHEY: In the document to which Dr Kaye referred you call for a strong focus on quality in education, professional development of teachers and an effective and sufficiently resourced regulator. Do you think the IPART model that drives the pricing in Smart and Skilled is designed to deliver a strong focus on quality across the education and training system, the professional development of teachers, trainers and academics and an effective and sufficiently resourced regulator? Do you think that model is at all attuned to delivering that need?

Mr MINTO: The IPART prices were developed based on what it costs to deliver a course. That was their starting point and that was the advice that they provided to the Government. The Government did not take on all of their recommendations through that process. For example, there was one recommendation that prices should be a maximum and that providers should be able to charge up to 50 per cent less. That was not accepted by the Government. We have had some anecdotal evidence that some of the prices under the IPART based model make it difficult for providers to deliver certain qualifications for that price. But I do not have a great deal of evidence. This is anecdotal.

The Hon. DANIEL MOOKHEY: Are you able to provide us on notice with any suggestions you would have as to how the IPART model should be adjusted so it can deliver quality across the education and training system? The last sentence of the dot point in that document says that performance and excellence criteria should be introduced for RTOs via an industry-driven star rating system. Presumably the reason you are calling for that is because you think there is some information asymmetry in the market that could be corrected by a rating scheme?

Mr MINTO: That is right. That is essentially what we are looking at. This has been a long-held position by us and by our Federal body, the Australian Chamber of Commerce and Industry, to effectively provide more easily accessible information for both students and employers.

The Hon. DANIEL MOOKHEY: Is part of your call for an industry-driven star rating system because of the ease of entry now to the RTOs? We have seen the emergence of a much bigger RTO sector in the last decade than in the preceding decade.

Mr MINTO: Do you mean private RTOs?

The Hon. DANIEL MOOKHEY: Yes.

Mr MINTO: Private RTOs have played a role in the system for quite some time.

The Hon. DANIEL MOOKHEY: But not on this scale.

Mr MINTO: No, not on this scale. Opening up more of the system to contestable funding is obviously going to have an impact on numbers.

The Hon. DANIEL MOOKHEY: Do you know whether the contract letting process that State Training Services and the New South Wales Government embarked upon included anything that resembled being industry driven, or did it include any criteria that would allow for industry-driven feedback about RTO quality?

Mr MINTO: I do not have the answer to that, to be honest. I do not know enough about details of the contracts.

The Hon. DANIEL MOOKHEY: Do you think that the letting of the contracts would receive a lot more confidence in the market if it did include some aspect of industry reference or rating system to allow industry perception of quality to be incorporated?

Mr MINTO: One thing we have called for in our recommendations is for the system to be more industry driven. We intend that at all levels, so that would be in the form of contracts and engagement with industry by training providers and so on.

The Hon. DANIEL MOOKHEY: Do you have RTOs as your members?

Mr MINTO: We do have RTOs as members, yes.

The Hon. DANIEL MOOKHEY: A lot of your members are probably also customers of RTOs?

Mr MINTO: That is right. We have RTOs as members, both TAFE and private providers as members.

The Hon. DANIEL MOOKHEY: Did you get any feedback from the providers or the people who use them that suggested the criteria by which contracts were let to the market was very clear and transparent and really understandable by everybody, or opaque and no-one really understood it or somewhere in between?

Mr MINTO: I think there was a clear process put together by State Training Services, but where confusion came in was in the results of the allocation. Through the system they used some of the results were confusing.

The Hon. DANIEL MOOKHEY: We heard evidence from the Housing Industry Association that the biggest provider that got the contract for their industry was a person that was not at all known to the people in their industry, including them. Is that a widespread experience? Do you have anything that would suggest that is widespread or is it only limited to construction?

Mr MINTO: I can only make anecdotal comments on this but we have had reports that TAFE has been provided with places that have been outsourced to private providers because they do not have the capacity to deliver those qualifications.

The Hon. DANIEL MOOKHEY: You have received anecdotal evidence that an organisation that received a contract could not discharge its contract obligations and therefore its placements got moved back to TAFE?

Mr MINTO: No. The other way round. The TAFE had partnered with a private provider to deliver those services.

The Hon. GREG DONNELLY: On the issue of regulation and the standards being met or otherwise by registered training organisations an abiding concern seems to be that the Australian Skills Quality Authority simply does not have the resources at its disposal. Would you care to comment on that in general terms or specifically?

Mr MINTO: Absolutely. This is an issue that we raised way back when ASQA was established. And again through our Federal body, the Australian Chamber of Commerce and Industry, we called for greater funding for ASQA to meet that quality challenge. The Government has recently allocated an additional, I think, \$68 million for the activities of ASQA to meet the audit requirements and so on.

The Hon. GREG DONNELLY: Do you think in the meantime some providers have crept in that may not be up to scratch or can you really not say?

Mr MINTO: It is hard to say. It is clear that ASQA was under-resourced when it first began operations. It was really struggling to keep up with audits and some of the reports that were coming through about behaviour of certain providers. Certainly it was beyond its capacity to address some of those issues at the time.

The Hon. GREG DONNELLY: You would be aware that there is a review underway in regard to the current training arrangements in New South Wales. We were told this morning through evidence that it will be done in two phases; the first phase will be in October and the second phase will be in the first quarter of next year. Would it be the Business Chamber's intention to make a submission to that review?

Mr MINTO: We have already provided some feedback to the Nous Group, which is undertaking that review. I sit on the industry reference group for Smart and Skilled, which sits under the New South Wales Skills Board. We provided some feedback through that forum. However, we will provide further feedback if there is an opportunity to provide written submissions.

The Hon. GREG DONNELLY: I am not asking you to specifically divulge every last thing you may have said in that feedback because we will wait to see what the final paper produces, but in terms of your general contribution what were your key points in your discussions with the Nous Group?

Mr MINTO: I have probably covered them really in terms of the way the system was designed to overcome some political concerns and also to meet budget restrictions. We have come up with a suboptimal funding model. The design is not quite right. The funding allocation process is too centrally controlled by the Government. That undermines the initial objectives of contestability and student choice. I will comment on the Auditor-General's report that came out earlier this year. The Auditor-General raised those two themes, saying that if the system is to meet the targets set by the Government then there needs to be a greater focus on student choice and contestability to achieve that.

The Hon. DANIEL MOOKHEY: I want to return to the point you made about Government incentives for apprenticeships. You said that the cost of taking on an apprenticeship can be prohibitive and that financial incentives should be introduced for employers who take on apprentices. Do you think that employers have an obligation to contribute to the training of their workforce?

Mr MINTO: Employers already do that. Taking on an apprentice is a significant cost in supervision and provision of workplace training. Employers make a significant contribution. There is research showing how much it costs an employer to take an apprentice through the four years of their training.

The Hon. DANIEL MOOKHEY: Are you able to provide that?

Mr MINTO: I can track that down for you.

The Hon. DANIEL MOOKHEY: Implicit in your statement is the sense that participation in an apprenticeship is cost sensitive. Whether a person completes their apprenticeship depends on the wages as well as the costs they incur. If apprenticeships were to cost more, would that be a concern to you? Would that result in fewer people completing their apprenticeship?

Mr MINTO: In our initial submission to the IPART consultation, we raised the concern that there would potentially be significant increases in training costs for apprentices. We supported IPART's recommendation that there be a cap of \$3,000. The Government chose to go with a cap of \$2,000, recognising that price sensitive decision by employers.

CHAIR: Thank you very much for presenting your evidence. You have taken some questions on notice. The Committee may also send you further questions based on your appearance today. The secretariat will be glad to assist if you need help addressing those questions. It has been great to look at the wins and losses of the Victorian model. We appreciate your time and effort.

(The witnesses withdrew)

The Committee adjourned at 5.32 p.m.
