



# Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party  
Date Referred: 13/03/2015

Proposal No: A328  
Date Published: 23/03/2015

Proposal Title: **LABOR'S PLAN TO RESCUE TAFE NSW**

Cluster: Education and Communities

## General Government Sector Impacts

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 Year Total \$'000
Expenses (ex. depreciation)	-	21,470	29,499	30,237	81,206
Depreciation					-
Less: Offsets					-
Revenue					-
<b>Net Operating Result:</b>	-	<b>(21,470)</b>	<b>(29,499)</b>	<b>(30,237)</b>	<b>(81,206)</b>

Capital Expenditure					-
Capital Offsets					-
<b>Capital Expenditure:</b>	-	-	-	-	-

<b>Net Lending/(Borrowing)</b>	-	<b>(21,470)</b>	<b>(29,499)</b>	<b>(30,237)</b>	<b>(81,206)</b>
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<b>Net Financial Liabilities:</b>	-	<b>21,470</b>	<b>50,969</b>	<b>81,206</b>	
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## Total State Sector Impacts

<b>Net Financial Liabilities:</b>	-	<b>21,470</b>	<b>50,969</b>	<b>81,206</b>	
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## Notes and costing assumptions

The policy proposes reversing some of the Coalition's 'Smart and Skilled' TAFE program comprising three parts:

Part 1: TAFE Fees will be frozen at 2014 levels, indexed for inflation, for qualifications in occupations listed as state-wide skill shortages on the Australian Government Department of Employment's Skill Shortage list. The policy also proposes discounts for disabled students, Aboriginal students and students enrolled in special access courses.

Part 2: A 30 per cent cap on the total amount of public funds provided to private suppliers of TAFE services,

Part 3: Cuts to high priority TAFE campuses, courses and services to be reversed; and, in particular, a list of TAFE courses that have been cut according to various press reports are to be restored.

The total cost of all three parts of the policy is \$81 million over the forward estimates.

### Part 1

The PBO estimates the cost of part 1 of the policy over the forward estimates at \$37.2 million (\$12.1 million in 2015-16, \$12.4 million in 2016-2017 and \$12.7 million in 2017-18).

The cost of freezing fees has been calculated by the Department of Education and Training based on the Independent Pricing and Regulatory Tribunal (IPART) model for current policy settings compared to capping TAFE fees at 2014 levels and limiting fee increases to yearly CPI increases of 2.5 per cent for state-wide skills shortage qualifications. The model holds the number of training places constant over the forward estimates.

## Costing assumptions continued:

The fee exemptions for Aboriginal students are the same as those that applied before 2015 so there is no impact on the forward estimates.

For disabled students, there has been a slight change in policy with no concessions for disabled students undertaking a second qualification in a calendar year at Diploma or Advanced Diploma level. The marginal difference in policy makes it difficult to estimate the financial cost. Consequently, this additional cost has not been included in the calculations.

It is assumed the occupations listed as NSW state-wide skills shortages in 2013-2014 by the Commonwealth Department of Employment will remain the same throughout the forward estimates. Changes in the skills shortage list would change the cost estimate. However, it is not possible to calculate the change in costs without knowing the specific changes to the skill shortage list. Projected enrolments in state-wide skills shortage qualifications account for 9 per cent of all projected enrolments in the 2015 NSW Skills List qualifications.

To simplify the modelling, we have assumed all students are subject to the new fee arrangements from July 2015. That is, those students who have paid for their full course upfront in early 2015 would receive a part refund for the half-year under the new fee structure. The approach has the added advantage of treating equivalently students who have paid upfront in 2015 compared to those subject to concessional loan arrangements and those who commence enrolments in July 2015.

Any changes to fee levels to be introduced from 1 July 2015 will require significant IT business systems development, testing and implementation within very tight timeframes. There are significant risks in these changes to the smooth operation of the NSW VET sector. There would be additional costs associated with implementing the policy in such a short timeframe. These costs have not been able to be estimated for inclusion in this costing.

### Part 2

Capping funding to private providers at 30 per cent has no effect because current funding is below 30 per cent.

### Part 3

The full cost of restoring TAFE services, where possible and able to be estimated, has been included in costing part 3 of the policy. The total cost of restoring these services is \$44 million over the forward estimates: \$9.4 million in 2015-16, \$17.1 million in 2016-17 and \$17.5 million in 2017-18. It is assumed the courses are restored from calendar year 2016, hence a half-year impact has been included for 2015-16 in costing part 3.

Part 3 was costed by the Department of Education on advice from the relevant TAFE campuses. An itemised list of the services able to be restored, cost estimates, and reasoning where others cannot be restored, and or the original media article is not correct, is provided in the below discussion.

#### **TAFE Courses and Campuses for consideration to be restored.**

The following information is provided by the Department of Education on advice from the relevant TAFEs. In the following list, the media claim is first presented, with the relevant reply and costing information.

*1: The Dapto, Padstow and Cooma campuses, rumoured for closure, remain open.*

Reply: There has been no change to services as the forward estimates includes funding for operating these three colleges.

*2: The ship-building and repair course is set to lose a third of its funding in 2015, which will reduce the number of face-to-face teaching hours. (ABC 25/9/14)*

Reply: The ship-building training ceased in 2012 due to a lack of demand following consultation with industry and closure of major ventures such as Sensation Yachts and Azzura. Three teaching staff were made redundant.

At the time (2013) the Certificate III in Marine Craft Construction continued to be offered at Northern Sydney Institute. Costing for restoring this service has not been estimated.

## Costing assumptions continued:

*3: Classes being axed in Campbelltown, Chullora and Wetherill Park. Engineering trades, fitting and machining, sheetmetal, metal fabricating and welding, and vehicle-building classes will be hit. Teacher numbers will be cut from 54 to 26. (SMH 29/3/14); and*

*4: South Western Sydney Institute of TAFE is planning to sack 52 per cent of its teachers in engineering and automotive manufacturing. (30/3/14); and*

*5: 200 students are distressed and teachers have lost their jobs before Christmas after the metal fabrication section at Chullora and Miller campuses was axed; TAFE Teachers Association says 32 staff will lose their jobs (Canterbury-Bankstown Express 26/11/14).*

Reply: Over the past 4 years, there has been a 25% reduction in student enrolments in Metal Fabrication (including automotive manufacturing and engineering training packages) reflecting the decline in employment in the manufacturing sector in the region. Consultation with staff, industry and the community on a proposal to consolidate automotive manufacturing and engineering training from five sites to two specialist sites (Granville and Campbelltown) in 2015. Further consolidation to a single Engineering and Manufacturing Centre of Excellence is likely to occur in the future.

Training ceased at Miller, Wetherill Park and Lidcombe (Chullora) locations at the end of 2014.

Staff numbers were reduced as follows: Reducing Head teachers from 10 to 5 (-5), Reducing Teaching positions from 44 to 21 (-23)

The per year cost of restoring these services is estimated at \$3.72 million in 2016.

*6: 30 per cent of the 46 information and communications technology teachers would be cut and all information technology cut from the Padstow campus by next year. (Canterbury-Bankstown Express 2/12/14)*

Reply: Consultation is underway and any staffing changes are only proposed at this stage, including reducing teaching positions from 46 to 30 (-16).

ICT courses at Padstow ceased at the end of 2014 and training is consolidating from 8 to 5 colleges to reduce duplication of courses and maximise class sizes to ensure the courses are viable and sustainable. Training will continue at Campbelltown, Lidcombe, Miller, Granville and Macquarie Fields Colleges with 3 specialist locations at Miller, Granville and Macquarie Fields. The IT courses on offer at Campbelltown College in 2015 have increased.

The per year cost of restoring the services that have been reduced here is estimated at \$1.95 million in 2016.

*7: Hospitality courses and information and communications technology courses in Padstow will cease at the end of 2014, while automotive classes will also cease except for the Fiat Chrysler program, continuing to 2016. (Canterbury-Bankstown Express 2/12/14); and*

*8: Plumbing and engineering courses have closed at the Chullora campus; hospitality, butchery, automotive and IT teaching courses will close at Padstow and engineering will no longer be offered at Miller. (Liverpool Champion 25/11/14)*

Reply: The re-organisation of courses offered at Padstow, Chullora and Miller campuses occurred to provide more integrated programs and to services to students, to better meet industry demand and offer classes to meet student demands while continuing to maintain the range of specialist training options. In some cases courses were moved while new facilities were being built.

Hospitality and Butchery - Padstow

Enrolments in Hospitality reduced by 42% over the past 4 years which has resulted in a review across the Institute. Following extensive consultation with staff, industry and the community, a range of consolidation opportunities

## Costing assumptions continued:

were identified to address under-utilisation of facilities and maximise class enrolments to improve efficiency of operations.

Butchery has moved from Padstow back to Granville into brand new purpose built training and retail facilities. Butchery was temporarily located at Padstow for 2 years whilst the new facilities were being built.

### Automotive - Padstow

Automotive at Padstow College will cease at the end of 2014 except for the Fiat Chrysler program which will continue through to 2016. Automotive courses will continue to be delivered at Wetherill Park, Granville and Campbelltown Colleges. SWSi is building an Automotive Training Centre of Excellence at Wetherill Park College, due for completion in 2016.

Information & Communications Technology (ICT) – Padstow - ICT courses at Padstow will cease at the end of 2014.

Plumbing – Chullora - Plumbing at Chullora ceased delivery at the end of 2013 and all staff were redeployed to Miller and Granville Colleges.

Engineering – Miller & Chullora - Delivery ceased at the end of 2014.

The estimated per year cost of restoring these services, where technically feasible and sensible to do, is estimated at \$8.55 million in calendar year 2016.

*9: South Western Sydney Institute was proposing to cut all pre-apprenticeship courses in signage at Macquarie Fields TAFE, affecting 81 students. (Macarthur Chronicle 4/12/14)*

Reply: Signage will not be offered at SWSi in 2015. However, pre-employment programs will continue where there is demand. All Signage Pre-Apprentices completed their courses in 2014 and no students were affected by the closure. There were only 5 Apprentices enrolled in 2014, 3 completed with 2 continuing in 2015. The Building & Construction Faculty has negotiated with other TAFE Institutes (Sydney & Western Sydney) to accommodate these 2 Apprentices.

The per year cost of restoring these services is estimated at \$238,000 in 2016.

*10: Gymea TAFE will no longer offer the HSC; hairdressing and ceramic permanent teachers jobs have been lost at Gymea TAFE, commercial cookery teacher jobs have been lost at Loftus TAFE (St George and Sutherland Shire Leader 15/10/14)*

Reply: The HSC change was due to 2012 and 2013 Business Reforms in response to declines in student demand. In 2014 there was no HSC delivery at Gymea and no loss of full time jobs from this change.

Reduction in staffing (5 in 2013) is due to a decline in enrolments since 2009 by 40% in Cookery and 46% in Hairdressing since 2009. The removal of Cookery and Hairdressing from the Skilled Migration List in July 2010 contributed to the reduction of International students in these areas. The reference to Ceramics is a result of July 2013 Business reform with a full time equivalent reduction in staff of 1.5.

The cost of restoring these services is estimated at \$933,000 in 2016.

*11: The HSC course has gone from Wyong TAFE along with several other courses in tourism, hospitality and IT. (Central Coast Express Advocate Wyong 21/2/14); and*

*12: HSC through Hunter TAFE has ended while tourism and hospitality courses will cease at Cessnock and Glendale (Newcastle Herald 30/12/13); and*

*13: Maitland TAFE will lose tourism and hospitality courses with full time teachers made redundant (Maitland Mercury 3/9/13)*

Reply: Training ceased in the HSC at the end of 2012 because of declining enrolments. A rationalisation of delivery locations and enrolment profiles was undertaken and Tourism and Hospitality programs are now delivered at key geographical locations of Hamilton, Kurri Kurri and Ourimbah.

## Costing assumptions continued:

The Ourimbah Campus is 20 minutes from Wyong Campus and is in the same Local Government Area. Training in pathway qualifications and Statements of Attainment continue where demand exists at the Maitland Campus. These reforms are part of a normal business process. They are a result of changing enrolment patterns and rationalisation targets.

Costs for restoring the previous method of supply are not able to be estimated.

*14: Information technology courses at Newcastle, metal fabrication and welding at Glendale, and ship and boat building at Newcastle have been scrapped. (Newcastle Herald 29/12/13)*

Reply: Cancellation is due to a downturn in the Resources Sector in the Hunter and Central Coast Regions and changing enrolment patterns in the industry areas of Boat Building, Tourism and Hospitality and Manufacturing (Metals and Fitting and Machining etc.)

Costs for restoring these services have not been estimated.

*15: Dapto campus is rumoured to be closing, with an information technology course offered at Dapto under threat, and the cancellation of a tourism and hospitality course offerings at the once-busy site had been whittled down to "two or three gardening classes a week", and no permanent teaching staff now on campus. (Illawarra Mercury, 21/7/14)*

Reply: The Dapto campus will continue to operate.

*16: The Albury TAFE Mechanical Engineering Section is closing (Border Mail 21/11/13)*

Reply: Cancellation is due to a decline in manufacturing business activity and the reduction in the number of apprentices enrolling at the Campus. Continuing students entered into negotiations to either transfer to the Wagga Campus or for their employers to work with State Training Services to allow them to attend the Victorian based Wodonga TAFE (approximately 6k's from our Albury Campus).

The cost of the restoring the course includes a \$1 million fixed cost to rebuild the facility, and \$423,000 per annum to run the course in 2016.

*17: The HSC course has been cut from Wagga TAFE (The Daily Advertiser 31/3/14).*

Reply: The change in offering the HSC course is due to a change in the School leaving age to 17 and the move to offering the Tertiary Preparation Certificate (TPC) instead of the HSC. The TPC allows students to gain entry to University.

The cost of restoring the previous offering is \$421,000 per year in 2016 (inclusive of \$5,000 of fixed costs).