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Vocational Education and Training Funding
Amendment Bill 2001

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I N F O R M A T I O N A N D R E S E A R C H S E R V I C E S

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No. 160 2000-01

Vocational Education and Training Funding Amendment
Bill 2001

Carol Kempner
Social Policy Group
18 June 2001

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Vocational Education and Training Funding Amendment Bill 2001

Date Introduced: 7 June 2001

House: House of Representatives

Portfolio: Education, Training and Youth Affairs

Commencement: Royal Assent

Purpose

The Bill would amend two acts—the *Australian National Training Authority Act 1992* and the *Vocational Education and Training Funding Act 1992*.

The *Australian National Training Authority Act 1992* would be amended to give effect to the proposed new Australian National Training Authority (ANTA) Agreement for 2001 to 2003.

The *Vocational Education and Training Funding Act 1992* would be amended to

- supplement funding for vocational education and training provided to ANTA for distribution to the States and Territories in the year 2001, in line with real price movements
- appropriate funds for vocational educational and training for the year 2002, and
- provide growth funding in 2001 and 2002 to the States and Territories who endorse the proposed ANTA Agreement.

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Background

Commonwealth role in the provision and support of vocational education and training (VET)

The Commonwealth provides grants to the States and Territories for the provision and support of VET. Commonwealth funds make up approximately one third of public expenditure on the vocational education and training system in Australia.

Arrangements first established under the *Vocational Education and Training Funding Act 1992* provide for funds for capital and recurrent purposes to be passed to ANTA for allocation among the States and Territories.¹ The funds must be distributed according to the *Australian National Training Authority Act 1992* which established ANTA, and provides the funding framework known as the ANTA Agreement. Under the terms of this Agreement funding decisions are made consistent with a national strategic plan based on agreed national objectives and priorities.

The functions of ANTA include allocating and remitting funds to State and Territory training authorities on the basis of guidelines determined by the Ministerial Council, and administering any National Programs, within the guidelines approved by the Ministerial Council.²

Funding arrangements under the ANTA Agreements—1993–96 and 1998–2000

The *Vocational Education and Training Funding Act 1992* gave effect to the first ANTA Agreement between the Commonwealth, States and Territories. Under this first Agreement, funding arrangements were made for the 1993–95 triennium. These included the Commonwealth's agreement to maintain its then current financial support for VET; provide an injection of \$100 million in recurrent funding announced in the November 1991 *One Nation* economic statement; and an additional \$70 million of growth funding for each year of the triennium. The then Labor government extended these arrangements to 1996 and 1997.

The incoming Coalition government, in its 1996–97 Budget, introduced an efficiency dividend on Commonwealth own-purpose outlays which resulted in a 5 per cent reduction of funding provided to ANTA. In addition, the 5 per cent real growth on base recurrent funding was discontinued.

In its 1997–98 Budget the Coalition government reduced annual funding to the States and Territories appropriated under the *Vocational Education and Training Funding Act 1992*, to provide 'an incentive to the States to achieve efficiency gains in their VET operations'.³ This reduction, which took effect from 1 January 1998 and was to be carried into subsequent years, was estimated to be approximately \$20 million in the 1998 calendar year.

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The new base funding levels and the principle of growth through efficiencies formed the basis of the new ANTA Agreement for 1998–2000. In April 1998 Commonwealth, State and Territory vocational education and training Ministers reached consensus on this new ANTA Agreement.⁴ The terms of the Agreement were that the Commonwealth maintained its 1998 funding in real terms (\$904.144 million in 1998) for the three years, therefore locking in the reduction in annual funding announced in its 1997–98 Budget. The States and Territories agreed to maintain their level of activities, and to the principle of growth through efficiencies.

The failure to reach a new ANTA Agreement in 2000 resulted in Commonwealth allocations for 2000 and 2001 being based on the 1998–2000 funding arrangements.

A new ANTA Agreement

Despite several Ministerial meetings during the latter half of 2000 and early 2001, negotiations aimed at reaching consensus on a new ANTA Agreement had ended in a stalemate. The Commonwealth's initial offer, as reported, included the use of capital money to fund growth, an additional \$30 million if matched by the States/Territories (\$20 million in the first year and \$5 million for each of the last two years of the triennium), and Commonwealth's rights of veto over States' VET plans.⁵ In March 2001 Coalition Ministers from South Australia, the Northern Territory and the Australian Capital Territory agreed in-principle with this offer, however, their Labor counterparts did not.

The most significant point in contention during the course of these negotiations appears to have been the adequacy of funding for growth. The States and Territories have supported their demands for the reinstatement of growth funding with varying estimates of projected growth and growth funding⁶ and evidence of unmet demand in the VET sector.⁷ Furthermore, growth figures of '160,000 additional student places above revised planned or expected 1997 levels'⁸ for the 1998–2000 three year planning cycle also seem to suggest that the 'growth through efficiencies' approach may have run its course. When he announced the Commonwealth's commitment to the 1998–2000 ANTA Agreement on the 8 June 1997, Dr Kemp had expressed expectations that 'the number of student places in TAFE colleges will increase by up to 500,000 in the next five years'.⁹ The ANTA Board has noted that the 'bulk of the planned growth was delivered in the first year of the Agreement (1998)'.¹⁰

In the 2001–02 Budget context the Commonwealth government announced that it would make available to the States and Territories, over and above its base funding, \$230 million of growth funding for 2001–03.¹¹ This was to be contingent on their acceptance of the new ANTA Agreement and their meeting the Commonwealth growth funding on a 'dollar for dollar' basis. This Bill was tabled in anticipation of a Ministerial meeting to consider the Commonwealth's offer. Following this meeting on 8 June 2001, Minister Kemp has announced that all States and Territories have agreed in principle to the new ANTA Agreement.¹²

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Main Provisions

The overall effect of **Schedule 1** (specifically **item 5**) is to repeal the existing Schedule 1 in the *Australian National Training Authority Act 1992* and replace it with a **new Schedule 1**, the Australian National Training Authority Agreement for 2001 to 2003. **Item 1** provides flexibility for the Agreement to be amended should this be required in reaching agreement with the States and Territories. To enable Ministerial determinations regarding additional funds provided for in **item 2** of **Schedule 2**, **item 4** **Schedule 1** enables the Minister to direct ANTA by written notice, to allocate and pay a State an amount determined by the Minister in respect of the years 2001 or 2002.

The effect of **item 1** of **Schedule 2** is to amend the amounts payable to ANTA under section 9 of the *Vocational Education and Training Funding Act 1992* in the following manner:

- increasing the amount payable for 2001 from \$931.415 million to \$952.745 million; and
- providing a base funding appropriation of \$956.158 million for the year 2002.

The effect of **items 2** and **3** of **Schedule 2** is to make additional growth funds available to ANTA for distribution to a State contingent on that State approving the ANTA Agreement, the Minister determining that the State complies with the Agreement and the Minister determining that a specified amount is to be paid to ANTA in respect of that State. The Minister's determinations in respect of a calendar year for all States may not exceed the limit provided for in the table—\$50 million in 2001 and \$75 million in 2002.

Endnotes

- 1 For a brief outline of arrangements prior to 1992 see Ian Ireland and Carol Kempner, 'Vocational Education and Training Funding Amendment Bill 1996', [Bills Digest no. 34, 1996–97](#), Department of the Parliamentary Library, 1996.
- 2 More information about the operation of ANTA is available on their website at <http://www.anta.gov.au>
- 3 *Budget Paper* No. 2, 1997–98, p. 40.
- 4 For further background on this Agreement see Rosemary Bell and Carol Kempner, 'Australian National Training Authority Amendment Bill 1998', [Bills Digest no. 35, 1998–99](#), Department of the Parliamentary Library, 1998.

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- 5 Elson-Green, Jacqui, 'Training ministers stand firm on funding', *Campus review*, January 17–23, 2001, 'Lee puts Kemp under pressure over growth funding', *Campus review*, December 13–19, 2000 and 'No confidence in Kemp offer', *Campus review*, March 21–27, 2001.
- 6 In Elson-Green, Jacqui, 'No confidence in Kemp offer', *Campus review*, March 21–27, 2001, it is reported that ANTA projections are for an extra \$150 million a year and those of the Australian Chamber of Commerce and Industry are for an extra \$130 million 'primarily for industry training needs'. See also discussion *Senate Hansard Employment, Workplace Relations, Small Business and Education Committee*, Ms Moira Scollay, 23 November 2000, p.171, on a report to the ANTA Board which provides estimates of projected growth in the system ranging from 1.6 to 3.3 per cent.
- 7 Figures used by various commentators are of unmet need of some 45,000–46,000 (see Mr John Aquilina in Elson-Green, Jacqui, 'Training ministers stand firm on funding', *Campus review*, Jan. 17–23, and Ms C Kernot in *Media statement*, 16 March 2001, 'Australia the loser in Kemp's training miserliness'). This figure is based on ABS 6227.0, *Transition from education to work*, May 2000, 'Unable to gain placement in TAFE'.
- 8 *Directions and Resource Allocations for 2000*, Australian National Training Authority, p. 5.
- 9 The Hon. Dr David Kemp, Minister for Education, Training and Youth Affairs, *Media release*, 8 June 1997, '\$4.5 billion TAFE deal for States/Territories'.
- 10 *ibid.*
- 11 The Hon. Dr David Kemp, Minister for Education, Training and Youth Affairs, *Media release*, 22 May 2001, '\$230 million more for ANTA Agreement'.
- 12 The Hon. Dr David Kemp, Minister for Education, Training and Youth Affairs, *Media release*, K130, 8 June 2001, 'Kemp welcomes new ANTA Agreement'.

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